

Management RECORD

August 1957 • Vol. XIX • No. 8

Special Issue

INFLATION

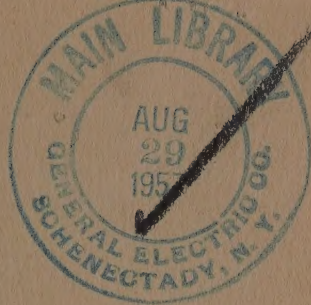
Wages

Productivity

Bargaining Pressures



NATIONAL INDUSTRIAL CONFERENCE BOARD, INC.



CONTENTS

SPECIAL ISSUE: LABOR COSTS AND INFLATION

Wages, Productivity and Inflation.....	266
Are Wages Inflationary?—I.....	269
Are Wages Inflationary?—II.....	272
Are Wages Inflationary?—III.....	274
New Concept of Compensation?.....	277
Postwar Structural Wage Strains.....	278
Wages, Incentives and Productivity.....	280
What Happens in Pattern Bargaining.....	283
Pattern Bargaining—Why It Developed and What To Do.....	285
Management Action on Wage Inflation.....	287
The Squeeze on Production, Prices and Profits.....	289
Summary.....	292
Unions Say "No Wage Inflation".....	293
Chart Features.....	267, 270, 271, 282, 290, 291

REGULAR FEATURES

Labor Press Highlights.....	293
Significant Labor Statistics.....	296
Retail Prices Seasonally High.....	297
Significant Pay Settlements in the United States.....	301
Significant Pay Settlements in Canada.....	306

Management Record is prepared by

Division of Personnel Administration: S. Avery Raube, Director; Harold Stieglitz, Assistant Director; James J. Bambrick Jr., Albert A. Blum, F. Beatrice Brower, Marie P. Dorbandt, Elaine Feinstein, Harland Fox, Stephen Habbe, Nelson R. Jantzen, Nicholas L. A. Martucci, Mitchell Meyer, George V. Moser, John O'Brien, Pauline Reece, Geneva Seybold, Doris M. Thompson, N. Beatrice Worthy.

Division of Consumer Economics: Frank Gaston, Director; Theodore R. Gates, Assistant Director; Zoe Campbell, John E. Denes, Harry S. Denning, Phoebe F. Gellen, Helen B. Junz, Seymour Schwimmer, Olive E. Vaughan, Herbert Weinberger.

Editorial Staff: Aileen Kyta, Barbara Zacharias. Charts: Paulette le Corre Lydon, Madeleine Briskin, Norman J. Diekman, Rosanne W. Reilly, Ramon J. Rodriguez, Lorena G. Schryver, James W. Whittaker, Margaret Whittaker.

Management Record



August, 1957

© 1957 by
National Industrial Conference Board, Inc.
Reproduction Rights Reserved

Vol. XIX, No. 8

• In the Record •

Labor Costs and Inflation

The word "inflation" has a highly emotional coloring. To many people it evokes a picture of skyrocketing prices, greatly devalued money and general economic chaos. Yet today in America most evidence indicates an inflationary trend, and many claim that none of the traditional causes is operating. But "nonclassical" or not, the current trend has many economists, the government, and business and labor leaders worried. For they feel that if we just let "nature take its course" an inflation could cause trouble in the economy.

Since the problem of so-called "creeping inflation" is so very important, this issue of *Management Record* is devoted to an over-all look at the relationship of wages to inflation. Speeches by many economists and business leaders have been gathered from several Conference Board meetings in order to consider such questions as: What is the relationship between productivity increases and wage increases? Do we have "wage inflation?" And if we have wage inflation, what is the price we must pay to curb it? In addition, in order to cover organized labor's side, "Labor Press Highlights" is devoted to the union leaders' views of these problems. And a special chart feature, based on data from a new Bureau of Labor Statistics report, "Productivity, Prices, and Incomes," helps to clarify some of the statistics referred to in the speeches.

Several of the contributors see the key to the current inflationary trend in the relationship of wages to productivity. They contend that over the past several years wages have increased far out of proportion to gains in productivity. And they feel that these wage patterns are putting pressures on costs that are forcing managements to raise prices.

What are the bargaining pressures leading to wage increases? In his article "New Concept of Compensation?" Arthur M. Ross sees four elements in bargaining that are exerting important pressures on wage determination. These are the prevalence of pattern bargaining, the growing acceptance of annual wage increases, the far-reaching effects of long-term contracts, and the growing scope of fringe benefits.

A few of the contributors, such as George G. Hagedorn, believe that the only way these bargaining pressures can be

reduced is by curbing the power of organized labor. However, Leland Hazard, in his article, "Management Action on Wage Inflation," takes the view that the time has come for management to take the initiative in labor-management relations. He says that management must either convince their workers to lower their demands at the bargaining table, or management must adopt a get tough policy and refuse further wage increases—if necessary, by taking strikes.

Naturally (as reported in "Labor Press Highlights," page 293), labor leaders do not agree with any of the above analyses of the inflationary trend. They generally believe that profits and not wages are the main trouble spot. These leaders say that industry could absorb wage increases without passing on the added costs in price hikes. And they cite record profits of the past few years as evidence for their argument. In accordance with this, the AFL-CIO executive council as well as such leaders as Walter Reuther have called for a Congressional investigation of current prices.

But a few of the contributors feel that some of the government's own policies are the real culprit in the current inflationary trend. They cite the government's commitment to sustain full employment and the government's over-all fiscal policies as the root of the trouble. They point out that if the money supply were not available, then labor couldn't demand more, and management couldn't give more or raise prices.

Of course, there are other inflationary factors in operation that are not directly tied in to wage-price policies. According to John T. Dunlop, in his article "Are Wages Inflationary?—III," over the next twenty years the outlook is for a chronic labor shortage and an increasing demand for skilled labor. In addition, he believes that increasing world-wide demands for American goods, as well as added demands here at home by business, governments and consumers, are all factors that will tend to create additional pressures on both wages and prices.

All these views of wages and their relation to inflation are open to debate. But the articles beginning on the next page should give a good starting point for an analysis of labor costs and inflation.

Labor Costs and Inflation

Wages, Productivity and Inflation

by J. W. Garbarino

Associate Professor, School of Business Administration, University of California

PEOPLE, for the most part, define wage inflation as a general rise in prices that results from the push of increased labor costs rather than the pull of monetary demands. Discussing wage inflation in this sense points up what is really the problem: When do wage increases turn into wage inflation?

A look at the record of the American economy over the past fifty or a hundred years illustrates that all wage increases aren't inflationary. The typical pattern of economic behavior in the United States is one of rising prices over the long run, with incomes, including wages, rising still faster. Increased productivity has made this possible, by permitting wages to rise faster than prices.

To the question: "When do wage increases turn into wage inflation?", most economists would answer that wage increases become wage inflation when they exceed increases in productivity.

The thinking behind this answer runs like this: Increases in productivity have the effect of reducing the quantity of labor needed to produce a unit of product; if the increased price of labor doesn't more than offset the reduction in quantity of labor, then there is no need for the price of the product to be increased.

This simple notion gives us a good starting point from which to analyze two questions about the relationship between wages and productivity in the past several years. First, how have changes in wages compared with changes in productivity? Second, what are some of the likely consequences of this behavior?

Unfortunately, data on changes in productivity are not wholly adequate, either as to quantity or quality. The Bureau of Labor Statistics has been understandably cautious in dealing with this particular problem. However, BLS has published estimates on productivity increases in manufacturing industries as a group through 1953, and for a small handful of non-manufacturing industries through 1954.

For the manufacturing industries, figures for the increase in output per man-hour range between 3% and 3.5%. This is roughly what we would expect to find on the basis of long-term trends. In non-manufacturing, average growth of productivity also seems to be in this range.

For the period since 1953, informal estimates of productivity figures presented by BLS average out to about the same annual rate with considerable year-to-year variation. It appears that the magnitude of the productivity increase that we work with in establishing a wage-price relationship is 3% to 3.5% annually.

Now, about wages. Turning to hourly earnings in manufacturing, you find an average annual increase from 1953 through 1956 of just about 4% per year.

However, as a measure of employment costs, average hourly earnings need to be supplemented by the cost of fringe benefits. A few of the familiar fringe benefits—for example, vacations and paid holidays—are included in the average hourly earnings figures. But most of the fringes are not included in average hourly earnings and must be added. Once again, reliable statistics are hard to come by. But on the basis of various studies of fringe costs, I have tried to estimate how much these benefits have increased since 1953 on a cents-per-hour basis. It appears to be about 3.5 cents per-payroll-hour. If you combine this increase in benefits with the cents-an-hour increase in hourly earnings, you find that total employment costs since 1953 have gone up about 5% per year.

Some may argue that hourly earnings should be permitted to rise not only as productivity increases but also to offset increases in the cost of living. This raises the "what comes first" question. Did wages go up to offset increases in the cost of living or did the cost of living go up as a result of wage increases?

By concentrating on 1953-1956 we minimize this problem, because over this period the average annual increase in consumer prices was less than .5% per year. Even if this .5% is subtracted from the overall increase in wages, it still appears that, since 1953, wages have risen about one-third faster than productivity. Putting it another way, the annual rate of growth in employment costs seems to have been about 1% higher than the annual rate of growth in manufacturing output per man-hour.

Outside the manufacturing sector, productivity data are almost nonexistent. Scattered data suggests

that the picture on both productivity and wages is pretty much the same as it is in manufacturing.

What are some of the implications of this divergence between increases in wages and productivity? Many people mistakenly assume that if wages increase at the same rate as productivity, it means that all gains in productivity are appropriated by wage earners.

A little reflection will show that this isn't true. If wages and profits each received 50 cents of every dollar of the national income and income went up by 10%, the amounts received by both labor and capital could go up by 10%, leaving the relative shares unchanged. In other words, in a perfectly balanced economy, it is possible for all claimants to have a share of the national income and to increase their absolute income by the same rate at which productivity is increased.

If wages rise faster than productivity, however, one of three results or some combination of these three results must occur. First, prices may go up; or, second, the percentage of national income going to wage earners may go up; or third, the constant percentage of national income going to wage earners may be shared

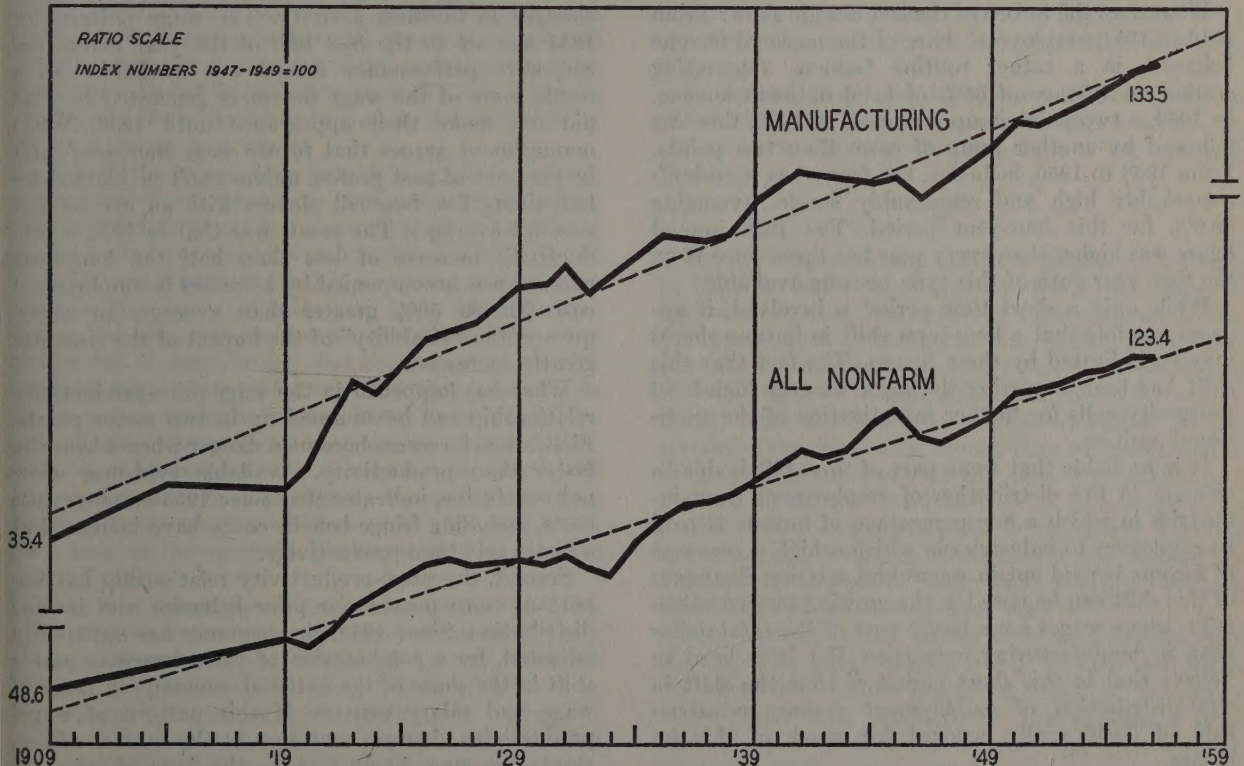
differently among the wage earner group. While the third possibility is an interesting one, it is not directly relevant to our present topic.

If, since 1953, wages have indeed gone up faster than productivity, we should check to see what has happened to both prices and the shares of national income. The consumer price index, as already mentioned, shows little evidence of inflationary pressure—at least until recently. The index as a whole went up only an average .5% a year from the beginning of 1953 through 1956.

In terms of the component parts of the index, the largest annual rate of increase was in medical care, and that was only 3%. The next largest rate of increase came in personal care and in the category known as "other goods and services," which rose slightly over 2%. This is not runaway inflation. Also the areas where the largest increases took place—personal care and medical care—are not subject to inflationary pressures from wage increases to the degree that other parts of the economy are.

Perhaps a better and more sensitive indication of the strength of wage inflation can be found in the industrial component of the wholesale price index.

Chart 1: Over the long term, productivity in manufacturing has risen at an average rate of 2.8% per year; for all nonfarm activity the average rate of increase has been 2.1%.



Source: Bureau of Labor Statistics, cited in "Productivity, Prices, and Incomes," Joint Congressional Economic Committee.

These figures measure changes in the prices quoted by the producers in the first commercial transaction involving their products. They indicate an annual rise of 2.33% since 1953. Now without going into the question of the relationship between this 2.33% increase in industrial prices and the excess of the rate of wage increases over productivity of only 1%, the fact remains that rises have taken place, and our analysis suggests that some part of this increase has been due to wage pressure.

Shifting our attention from prices, what has been happening to the employees' share of the national income? Economists in general take the view that the percentage share of the national income going to employees is relatively stable in the long run but varies over the business cycle, going up in depressions and down in prosperity periods.

The assumption is that wages and salaries are relatively stable compared with corporate profits and their total falls less rapidly than national income as a whole when a downturn occurs. On the other hand, profits are more volatile than other shares of income. In a depression they fall faster than national income. In a boom the situation is reversed. Profits increase more rapidly, while wages and salaries go up less rapidly.

What does the record of the last decade show? From 1946 to 1951, employees' share of the national income behaved in a rather routine fashion, fluctuating around an average of 65% of total national income. In 1952, a two point jump occurred. In 1953, this was followed by another jump of more than two points. From 1953 to 1956, inclusive, the figure has been both remarkably high and remarkably stable, averaging 69.6% for this four-year period. The 1956 annual figure was higher than every year but three since 1929, the first year data of this type became available.

While only a short time period is involved, it appears possible that a long-term shift in income shares may be indicated by these figures. The fact that this shift has been occurring during a time of high-level prosperity calls for further investigation of the traditional position.

It is probable that some part of this shift is due to changes in the distribution of employment from industries in which a low percentage of income is paid to employees to industries in which a high percentage of income is paid out in wages and salaries. Examples of this shift can be noted in the growing service industries, where wages are a larger part of the total dollar than in manufacturing industries. But it is hard to believe that in this short period of time the shift in the distribution of employment among industries can, of itself, really account for much of this increase.

I suggest that one of the factors causing this change

in the share of national income is the apparent increase in wages relative to increases in productivity. While the shift in income distribution reduced pressure on prices, there are limits to the transfer which can take place. In the future, therefore, I would expect price increases to be a more prevalent form of adjustment.

Let me add a comment on the question of why wage inflation has now become so prominent a part of economic discussions. Our data suggest that the increase in wages as compared to productivity has been relatively small but the results in public comment have been substantial. The answer probably lies in this fact: One of the few things we think we know about productivity is that year-to-year changes vary with the larger increases in productivity correlated directly with the larger increases in production.

From 1947 to 1953, for example, BLS figures show that one-third of the total increase in productivity occurred over one year—from 1949 to 1950, as we came out of the 1949 recession. On the other hand, 1955 was a boom year, while there was a tapering off of the rate of growth in 1956. Estimates place the rate of productivity increase in 1956 at only .5%, compared with 4.5% in 1955.

For their part, wage changes tend to lag behind changes in business activity. The wage pattern for 1955 was set in the first half of the year before the corporate performance record was available. As a result some of the wage pressures generated in 1954 did not make their appearance until 1956. While management argues that future wage increases can be paid out of past profits, unions can't be blamed for bargaining like baseball players with an eye on last season's averages. The result was that in 1956 a productivity increase of less than half the long-term average was accompanied by increases in employee costs almost 50% greater than average. In consequence, the "visibility" of the impact of the rises was greatly increased.

What has happened in the wage-price-productivity relationship can be summed up in two major points. First, wage increases become a danger when wages rise faster than productivity. Available evidence, while not conclusive, indicates that since 1953 employee costs, including fringe benefit costs, have increased at a faster rate than productivity.

Second, the wage-productivity relationship has important consequences for price behavior and income distribution. Since 1953, the economy has apparently adjusted, by a combination of price increases and shift in the share of the national economy, in favor of wage and salary earners. If this pattern of wage-productivity changes continues in the future, adjustments are more likely to take the form of price increases.

Are Wages Inflationary? — I

by George G. Hagedorn

Associate Director of Research, National Association of Manufacturers

TWO ECONOMIC propositions confront us. The first is the general proposition that wages cannot rise faster than productivity without inflation. The second is the more specific proposition that currently the chief danger of inflation comes from a tendency for wages to increase faster than productivity. There are not many people who disagree. But there are some reservations and qualifications that should be made concerning these two economic propositions. In what sense are they true? In what sense are they not true? What are they good for, and what are they not good for?

These questions are pertinent because there has arisen a too mechanistic, a too literal interpretation of these propositions. And, by overselling this idea of the relationship between wages and productivity, we are perhaps taking our eyes off the main issue of the problem of wage inflation.

To avoid certain pitfalls, I would suggest that comparisons between wages and productivity should not be made on a plant-by-plant, company-by-company, or industry-by-industry basis. Rather, wages in any specific case should be related to the productivity of the economy as a whole.

Second, the comparison should be made on a long-term basis. I am unable to determine whether five, ten, or twenty years is an appropriate basis. But I object to the year-by-year comparisons. I do hope we will get away from the habit of having long discussions in the spring of each year as to what productivity did the year before as compared with what wages did. It seems to me that those short-term comparisons may often be fortuitous. It happens that in making the comparisons for 1956, it is all on the side of those who are protesting against wage inflation. But the very reverse may occur in some other year because of the random factors operating in these short-term comparisons. With this as background, let's look at the statistics for the past five, ten and twenty years.

First the twenty-year comparison, 1936 to 1956. Over that period, output per man-hour in the private nonagricultural economy increased by 54%. That is quite a striking figure in itself. Think of it. Just in the time it takes one baby to grow up to voting age we have increased the output per man-hour to half again over what it was. Unfortunately, in the same

time period, we increased average hourly earnings in manufacturing by 256%. So that over the twenty-year period, wages have been increasing just about five times as fast as productivity in the economy as a whole.

Taking a ten-year comparison—1946 to 1956—productivity increased about 27%, average hourly earnings in manufacturing, 82%.

Taking the five-year comparison—1951 to 1956—productivity increased 12%, average hourly earnings in manufacturing, 24%.

A couple of figures that summarize what has been going on in the ten years following World War II are: Average hourly wages in manufacturing went up at an annual rate of slightly more than 6%. That doesn't include fringe benefits, just the stated wages. Compared with that 6%, productivity in the economy as a whole increased at an average annual rate of a little better than 2%. On that basis, it's fair to say there is a tendency for wages to increase faster than productivity.

Those same long-term periods have also been periods of inflation and price increases. Statistics aren't required to prove this. Every adult in the country knows it.

✓
We are tempted to say that this tendency for wages to increase faster than productivity is the cause of the inflation that has occurred in the same period. But we do have to recognize that in the background were the expansionary monetary and fiscal policies of the war years. At the end of the war, we had a money supply some three times as great as we had at the beginning of the war—more money than we really needed to operate the economy at the price level existing at the end of the war. And because of this, wage costs could increase and prices could be increased. This did not result in a drying up of demand in the market because of the amount of money that was lying around. And this could occur year after year.

Now we have come pretty close to using up that cushion. The question is how will we fare now when we have this deeply ingrained habit of increasing wages faster than productivity. For at least a brief interval, some of that can be made up, even without expansion of the money supply, by a squeeze on the

other elements of cost or on profit. We are in that interval now. But that can't go very far, simply because those other costs don't amount to very much.

This, of course, is a generalization. The mechanism works differently in different segments of the economy. In particular, it works differently in the sectors of the economy where small business is most prevalent from the way it works in the sectors where big business is more prevalent. This is true for several reasons: The industries characterized by large enterprises have been the industries where demand is increasing. They are dynamic industries—petroleum, chemicals, automobiles, and machinery are examples. They are also the industries with high capital and lower labor costs. On the other hand, the industries in which small business is most prevalent are those where demand has not been increasing at the same rate—for example, furniture, clothing and leather. And these industries are labor intensive—they have high labor costs.

This era of rising labor costs has had a different impact on these two sets of industries. The large-company industries have been able to pass on their increased labor costs because of the increase in demand and the fact that their labor cost isn't so large percentage-wise. Industries characterized by small business are hit much harder, because they haven't had the offsetting advantage of a rise in demand and because labor cost is a much more important element of their total cost.

If this discrepancy between wage growth and productivity growth continues, we are going to have tremendous pressure for the application of what is called a full employment policy. A full employment policy is more of a political slogan than an economic program. In fact, it has become pretty clear that a full employment policy is simply an inflationary policy. It is a method of using inflation to offset unworkable relationships between wages, productivity, prices, profits, and so forth. A full employment policy is not a means to stability. It is simply an announcement that we intend to surrender to the forces of inflation instead of fighting them.

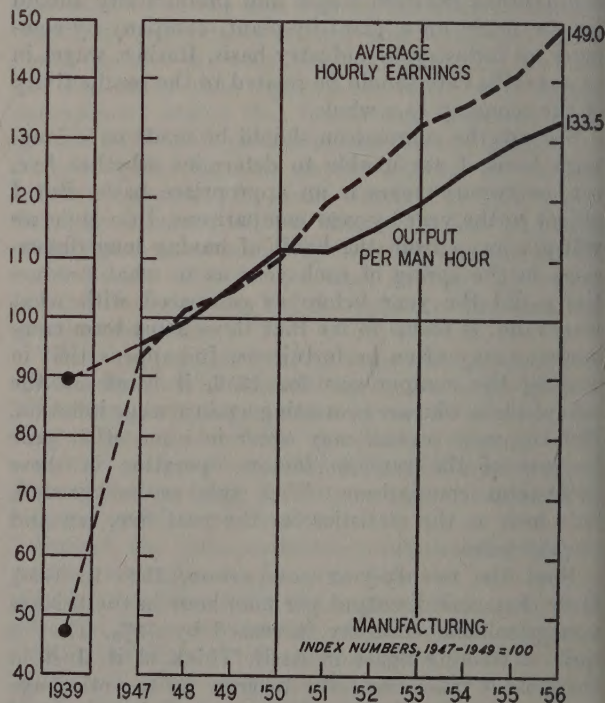
The basis for this tendency of wages to increase faster than productivity has existed in the past and we should expect it to continue in the future. This is so because it derives from the simple fact that on the supply side of the labor market in this country we are faced with a monopolistic situation. I have no hesitation in calling labor unions monopolistic, and I often wonder why other people seem reluctant to do so. In their earliest origins, their announced purpose was to prevent the working people from having to compete with each other for jobs. That is still their purpose. Unless unions are not fulfilling that purpose, the market for labor in areas where labor unions exist cannot be described as a competitive market.

I mention labor monopolies because there is an impression abroad that this principle of the wage-productivity relationship can be used as a defense against the operation of monopolistic pressures in the labor market. Many people reason: "In the wages and productivity relationship we have an objective criterion for the setting of wages, a criterion that people of good will can agree on, so that by applying that criterion we have a defense against this constant tendency for rising labor costs to result in inflation."

Some people view the application of the wage-productivity relationship in a very mechanistic way—that is, a formula for converting productivity statistics by some sort of mathematical rule into the amount that wages should be raised. Other people are not quite so mechanistic but regard the desirable policy as one of using productivity as a general, loose guide to what ought to occur in the wage field, without tying them together mechanistically. But whichever of these approaches is pursued, my feeling is that the belief that we can use the relationship between wages and productivity as a defense against inflation in the present circumstances of our economy is a dangerous illusion.

Productivity statistics are of very limited use as a guide for our wage settlements for several reasons.

Chart 2: During the postwar years, and again since 1950, hourly earnings of factory workers have advanced more rapidly than productivity . . .



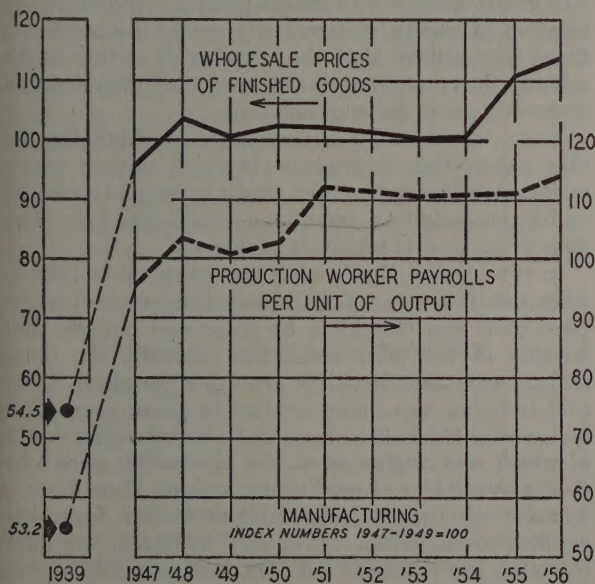
Source: Bureau of Labor Statistics, cited in "Productivity, Prices, and Incomes," Joint Congressional Economic Committee.

The first is the very limited accuracy and very limited coverage of the statistics we have in that field. In their compilation they involve many, many arbitrary assumptions and procedures, for which the best you can say is that they were inescapable given the condition of the source data. Their reliability and their accuracy are extremely limited.

This is no reflection on the competence of the people at the BLS or National Bureau of Economic Research who prepared these figures. They have done the best they could in a very difficult situation. Let me also say I think it is a very good thing that we have these measurements of productivity, because if we didn't have them, the claims we would see as to the rate of productivity growth would be really fantastic.

Some people become impatient with this line of thought. They feel that, since none of our statistical tools is perfect, we just have to use them as we find them. I have a certain sympathy with that point of view where a unilateral business decision has to be made. But where a bilateral decision has to be worked out between two contending parties of opposing interests that principle doesn't apply. Questions as to the accuracy of the statistics simply add one more element to the dispute rather than settling any of the other elements. More specifically, in the problem of settling wages I am very much afraid that all the disputes as to the statistics would be settled on the up side, and that you would have no real barrier against inflation by using this approach.

Chart 3 . . . and the resulting rise in unit labor costs has been associated with rising wholesale prices for finished goods.



Source: Bureau of Labor Statistics, cited in "Productivity, Prices, and Incomes," Joint Congressional Economic Committee.

Even if we had perfect statistics, again I would raise the question, just what would we want to see in the way of a wage policy: wages following all the detailed wiggles in productivity, or wages simply following a long-term trend?

Here you run into another difficulty. I think we would all like to see wages kept within the limits of the growth in productivity. Realistically, we would like to see that happen in terms of the broad average. We recognize we can't expect to see it happen in detailed cases. The trouble is that when you are settling wages, you are dealing with detailed cases. Nobody is dealing with the broad averages. It is all right for the economist to look down and say that the average of wages should be kept in line with the average of productivity. But the man on the firing line isn't dealing with either of those averages; he is dealing with one particular case.

And a little reflection will convince anybody that there is no reason to expect a close matching of productivity and wages in specific instances. Productivity might be defined as a measure of the efficiency with which labor is used. Clearly, with that definition, it makes no sense at all to devise a system whereby those who use labor efficiently would pay more for it than those who use labor inefficiently. It is as though you had a system for pricing steel where the price depended on the efficiency with which the buyer used the steel; those who used it efficiently would pay more than those who used it inefficiently. Obviously, what you would be doing in a case like that would be penalizing efficiency and subsidizing inefficiency—about the worst form of economic policy you could possibly imagine.

If we view the whole thing from the labor side, it is also apparent that any system of tying wages and productivity together in specific instances makes no sense. For example, some industries in the country, through no fault of their own, have shown very little growth in productivity. The custom furniture industry still uses a large amount of hand labor. It hasn't increased its productivity anywhere near the extent that it has been increased in the more dynamic industries. Does it therefore follow that the workers in custom furniture should get much less in the way of wage increases than workers in the more dynamic industries? Obviously not. As long as there are people who want to buy custom furniture, they have to expect to pay a price for it that will cover wages that must remain competitive with other industries.

The most fundamental objection to a policy of attempting to tie wages to productivity is the elementary fact that wages have an independent function to perform in the economy. That function is the allocation of our labor among the various occupations, the various industries, and the various geographical locations.

Only wages that are free to reflect particular conditions and particular situations can do this job effectively. It can't be done by wages that are set by some arbitrary rule, just as it can't be done by wages that are set by monopolistic fiat.

By way of summary, it seems we are in this dilemma. On the one hand, we don't want to tie wages and productivity together by any sort of rigid bond. Such a policy would impose a degree of inflexibility on our economy that would be unworkable and that nobody wants to see. We might want to have wages and

productivity tied together by a sort of elastic cord. But even that leaves us on the other horn of the dilemma. We must recognize that such an elastic cord would be no real defense against inflation. Under present circumstances, that elastic cord would always be stretched in the same direction—in the inflationary direction.

So we must conclude that if you are going to try to curb the inflationary effects of labor monopoly, the only way you can do it is by curbing the labor monopoly itself.

Are Wages Inflationary? — II

— by W. C. Mullendore

Chairman, Southern California Edison Company

HYPHENATED WORDS, like wage-inflation, price-inflation, cost-inflation, credit-inflation, are merely confusing. We cannot answer the question of whether wage raises cause inflation until we know what inflation is.

Inflation, in my book, is an increase in the supply of the media of exchange, money and bank deposits, brought about through the perversion of the power of issue and through misuse and abuse of credit. Inflation always results in reducing the objective exchange value of the monetary unit. Once you start fooling with the devices through which you can produce an inflation, the pressure forces get behind those who are fooling with the devices and increasing the monetary supply, and add to the pressure for inflation.

These pressure forces grow in strength, usually until they are out of control. It's the old story of Pandora's box. Those who for one reason or another—to finance a war or for national defense, to save the world, or to rescue a country from a previous depression resulting from a previous inflation, or to maintain full employment, or whatever—start printing money and monetizing debt set the forces of inflation loose. They soon lose control and become inflation's victims, along with all others within the human situation who are affected.

It is a fallacy, to try to find a culprit who is intentionally causing inflation. Actually, today, there are only victims of inflation, people who are being swept along by the forces of inflation. No one is in control of or managing this inflation.

Inflation's source is not the bargaining table. A more precise and accurate definition of this bargaining table in my opinion would be pressure table. That table where force is used to raise and to keep from raising wages is merely one of the places where the mighty forces set loose by inflation are manifested.

The pressure behind inflation ultimately is human

beings, human appetite, and human desire to gain access to the market goods. The undeniable fact that goods and services can be acquired in exchange for the medium of exchange leads to the popular and widespread delusion that the medium of exchange is wealth. This idea can be rationalized even by brilliant financiers—as it was by one of the most clever and brilliant men in that area in the eighteenth century, the mad genius John Law, who first coined the phrase that “to create money is to create wealth.”

And that delusion, of which Wright Patman and all other inflationists are today the victims, has dominated every inflationist from that time to the present. “To create money is to create wealth.” And since the creation of wealth is necessarily good for everybody, those who believe that the creation of money is the same as the creation of wealth, or leads to the creation of wealth, are in favor of inflation.

Never, or seldom, is anyone in favor of inflation by that name. But they are in favor of devices which make money more plentiful, credit easier and so on. So under this definition, inflation could be going on when your price level is relatively stable.

In my opinion, that's what was going on in 1954 to 1956. Inflation was raging, because the debt and monetized debt was increasing by leaps and bounds. But because of the price level, the students, the economists, were directing their attention elsewhere. They said inflation was under control in those years. But look at the \$51 million increase in private debt, much of which was originated in the purchasing power by debt transactions or credit transactions. It was not a transfer of already accumulated wealth from the creditor to the debtor. So, in any definition, you have to watch the causes of inflation, and particularly you must watch the supply of monetized debt.

Is the rise of prices the cause or effect of inflation?

Let's look at our market economy for the answer. The basic and most fundamental law of this exchange system of ours is that those who would receive or remove goods or services from the market must first bring goods and services of equal value to the market. The values are determined by bargaining within the market. Only thus can the dynamic balance of the market be safeguarded and maintained.

And upon the maintenance of the dynamic balance depends the continued existence of the free market or free enterprise system. "The most effective and quickest way to destroy the freedom of a people is to destroy their free market," wrote Lenin. He predicted that communism would, by pressures that would induce capitalistic countries to resort to inflation, eventually destroy capitalism.

Thus, it is pertinent to analyze the nature of inflation as a process whereby access to the free market is given, not by bringing goods and services of value to the market, but by bringing only a government purchase order—that is, money or a check on a bank deposit that originated in an inflationary creation of credit. Production and sale of goods or services do not precede such a demand upon the market. When demand upon the market, or the creation of wealth for the market, does not arise out of production, but originates in credit transactions or with a government order or fiat, that is inflation.

It is often argued that you can outproduce inflation. Some say that because inflation results from an excess of money seeking goods, all you need to do is to produce the goods to meet that supply of money. This overlooks the very simple fact that when you produce goods, you produce exchangeable value equivalent to the value of the goods. And so when you try to outproduce inflation, you are trying to outrun your shadow. The demand arising out of production of wealth increases right along with production and does nothing to absorb this extra supply of money that has come in from another source.

Well, now, how about a wage inflation? It's indisputable that wages are the principal cost of production. Hence, the constant increase of wage levels must result in the constant, if not uniform, increase of the

price level. It's further true that the Fair Labor Standards Act, the Walsh-Healy Act, and other federal and state laws fix a floor under wages.

Other laws such as the Taft-Hartley Act, the Norris-LaGuardia Act, and court decisions that have exempted labor unions from the antitrust laws and injunctions, in effect, give monopoly power to labor unions.

All of these things have put these organizations into positions where they exert a mighty and irresistible pressure for wage increases, and they exercise a power that threatens the dynamic balance of society. It is a monstrous power which is extended to an excess, which should never have been created, and which must be curbed or irreparable damage to our country and its free institutions will result.

But having said all that about the unequal and unjust powers of labor, I still say that the danger is not that they will cause inflation. They will probably absorb over a short period of time any increase of productivity. Over a long period of time they may get more than their share of the total production. But that will be self-correcting if you have a free market.



Labor unions are one of the pressure groups which soon discover that when the gold standard is abandoned, the increase of money supply is in the hands of governmental agents and agencies, and therefore political pressure can be used in lieu of production of additional wealth as a means of increasing the money supply. Thereafter, there result such laws as the Employment Act of 1946, which has been interpreted as ordering and requiring that the government must use all of its power to add to the money supply to promote maximum employment or maximum purchasing power.

The farmer demands and receives parity, billions of dollars being spent on artificially maintaining prices of crops. Mining groups demand and receive stockpiling of their product in order to maintain prices. Other business groups demand help for their particular branch—such as construction, housing, and the like. Groups representing the infirm, aged, and those suffering all the ills of mankind tend to form into pressure groups and demand that government add to the money supply in order to meet the problems of their particular group.

My point is that we are watching the wrong "rat hole" when we are watching the effects rather than the source and the cause of inflation. The source and the cause are to be found at the seat of the power to add to the money supply. The power to inflate is the power to add counterfeit money legally to the circulating medium. It is that power which must be curbed not only a little, but absolutely curbed, if we are to stop inflation.

UNIONS' IMPACT ON WAGES

I do not share the view of those economists who, assigning dominance to market forces, conclude that unions have had but little genuine or lasting influence on wages. If that's the case, we surely have been yelling about something out of all proportion to its significance. I don't think there are many businessmen or many unions who would agree that unions have no importance in the wage determination picture.

George W. Taylor

Are Wages Inflationary? — III

by John T. Dunlop

Professor of Economics, Harvard University

A SIMPLE question like "Are wages inflationary?" deserves a simple answer. Of course the answer is "yes and no" or "it all depends."

Let's look at the problem a little more systematically by analyzing it under four major points. The first point is: It is helpful to think about the problem of wage inflation by distinguishing four contexts in which the problem of inflation arises. The relationships between wages, costs and prices in each of these four types of situations is somewhat different.

The first context is postwar inflation. It is characterized by an overriding excess of demand, an excess of liquid savings accumulated from a wartime period. In that situation the response of wages and prices to this excess of demand is a different type of problem than in, let us say, the current context.

The second context is the speculative type of inflation. The anticipations and the expectations of the community are suddenly distorted, as they were during the Korean crisis in the summer and fall of 1950. Metals and other commodity prices rise sharply with these quickly and dramatically changed expectations. In the speculative context that emerges we have a different type of relationship between wages and prices than we did in postwar inflation.

The third context is characterized by a boom in a particular sector—a great expansion in housing, or in construction, or in steel. A boom in such a segment may have repercussions that fan out to wages and prices elsewhere.

The fourth inflationary context is secular inflation—the problem of looking ahead for a decade or two, popularly to 1975—and exploring the long-term context of inflation.



It is important to distinguish the inflation problems in each of these economic contexts. Most current discussion has dealt with this secular problem. However the long run is comprised of shorter periods, so it includes the problems of year-to-year inflation in a kind of a secular context.

The second major point has to do with this secular inflation. There are a number of factors making for a substantial inflation over the secular period to 1975; and there are some forces operating in the opposite direction to moderate, to mitigate such inflationary pressures.

The selection and weight attached to these factors may vary from person to person. Here is my list and appraisal of forces that are, first, operative on the side of long-run inflation.

1. We face from now until 1975, in certain strategic age groups, particularly in the group twenty-five to forty-four, a shortage of labor. Because of the low birth rates in the depression, the age group twenty-five to forty-four will scarcely show any increase until the Seventies.

2. The nature of our technology is drastically changing the demand for labor in the direction of skilled labor. Skilled labor has normally been in short supply. As further shortages develop, the wage structure of skilled labor will press upward and raise the whole wage structure.

3. Wage leadership—the points in our wage structure where movement first takes place—happens to be in those areas where we have high profits and high productivity. This tends to raise wages higher than they otherwise would be. If wage leadership were by accident concentrated in the textile industry rather than in the automobile or steel industry, we would have quite a different movement of wage levels.

4. We have reached an age in our industrial society where industrial peace is highly valued. We live in a day where human relations are highly valued. The preferences of the community for strike and strife have been downgraded. As we look ahead to 1975, this is an important secular trend making for large wage increases.

5. We live in a day where we have strong unions and they have proven their ability to win higher wage demands despite resistance on the part of some employers.

6. We live in a day that places a high value on full employment. The government, regardless of party, is committed to a policy of high-level employment. Both business and consumers have come to expect it to continue. As a result, businessmen and consumers plan with some confidence, and workers commit themselves more liberally in spending than might otherwise be the case.

7. Turning now to factors other than those in the labor market, we live in a society where the demands of the world upon America are very great. The demand for American goods and American technology from the rest of the world in this period is going to be extraordinarily high. This, again, applies regardless of

LABOR'S SHARE OF INCREASED PRODUCTIVITY

MR. HAGEDORN: All the arguments about whether real wages have or have not kept up with productivity come down to the question of how the distributive shares have changed. When a dollar's worth of goods is produced and sold, how is the dollar to be divided? It has to be divided among labor, management, owners, and the tax collector. Over the long term, labor's share of the dollar product that is produced in the private economy has stayed very close to 50%. Labor gets about 50% of the dollar received for final product sold to final purchasers. The other 50 cents goes to depreciation, taxes, entrepreneurial income, profits, and so forth. While it has averaged around 50%, there has been an upward drift in labor's share. In 1929 it was about 46%, and in 1956 it was up to around 53.6%. Incidentally, the 1956 figure represents an all-time high.¹

In looking at these figures, we can say that labor has done a little bit better than merely keeping up with the benefits of increases in productivity and the benefits of everything else occurring in the economy.

MR. DUNLOP: There is relative stability among the income shares. Even though wages may go up, there is no kind of rigid control on prices and other mechanisms that management may use to keep its share of the total income approximately the same. The only way, economically, you could depress any one share would be to control not only one variable but a whole series of variables in a system. So long as the only variable being changed is wages, in our market system it is perfectly plausible for the enterprise to adjust its prices and substitute other types of costs for labor costs so that the proportion has remained the same.

There may be a little drift upward in labor's share. But that drift is more directly attributable to: (1) the changing composition of the economy; (2) the changing importance of government where, for example, wages are a higher proportion; (3) the decline of agriculture, where what we call labor income is proprietor income, in the sense that farmers don't get wages and salaries but proprietor types of income; and (4) the general expansion of the service industries. The mechanics of the economy may, on the average, raise labor's proportion over a period of time, but the proportion in individual sectors may very well not change.

George G. Hagedorn
John T. Dunlop

¹ Figures herein cited are based on the breakdown of "business gross product" (which is of course identical with the proceeds from the sale of that gross product) as reported by the United States Department of Commerce. This differs from "income originating" concepts chiefly in that it includes shares for depreciation and for indirect taxes.

has considerable political support. We will continue to see substantial political commitments in the direction of expenditures on farm supports.

9. We live in a world where there is a shrinking supply of certain types of raw materials and metals, such as iron ore, which our economy can only expand at increasing costs.

10. We live in a society in which the shift in output has been toward services and nonproduction goods. And there is some question—although a close question—whether the increases in productivity in service industries are as high as in the manufacturing sector. With the increasing importance of services and of government and finance in our society, this factor may tend to mitigate against as rapid a rise in average productivity as would otherwise be the case.

11. We live in a society in which the suburbs are continuing to grow. This means that expenditures in the next twenty years are certain to be high for roads, schools, and other needs.

In a sentence, it seems to me we face a twenty-year period in which the labor supply is going to be tight in certain critical areas and where demand is going to be extraordinarily strong—demand on the part of consumers, on the part of governments, and on the part of businesses. These I've labeled forces that tend toward secular inflation.

Now look at a few factors which might operate to mitigate against this inflation during the period to 1975.

1. Interproduct competition is increasing, and this competition tends to hold prices down in a way that competition within traditional industries does not. For instance, steel is coming into competition with prestressed concrete beams. And steel competes more with aluminum. It is this kind of interproduct competition that in the future will put increasing moderation upon prices within an industry, which many of our academic colleagues have characterized as oligopolistic. This interproduct competition may be more effective than competition among firms within an industry.

2. The growth of research of all kinds and the resulting growth of productivity are extremely important and operate to reduce costs.

3. We are producing a work force that is more skilled, that is better educated, that is healthier, and that, in addition to demanding more wages and income, is able to produce more.

4. We live in a market that is fantastic in size and which is increasing in size. I am thinking of the market growing out of incomes on the level of \$5,000 to \$10,000. In a market of this type, small savings on cost or a brand-new idea—be it a mousetrap or what not—create enormous potential markets. This factor operates to keep prices and costs within some kind of restraint.

5. We are developing new forms of saving in the

party politics, and it will tend to operate in the direction of inflationary pressures.

8. We live in a society where the farm community

community: pensions, life insurance, stock purchase plans, supplemental unemployment benefit plans. Depending on how these funds are handled, they may operate as a kind of restraint.

6. A decade or two of dealing with secular inflation will develop, I trust, a certain amount of know-how in handling the problems of credit and in developing new tools for fighting secular inflation.



These, then, without trying to be exhaustive, constitute some of the factors operating against inflation.

Looking ahead to 1975 and weighing the up-forces against the down-forces, it seems to me that the first group of factors outweighs the second. From now until 1975, the reasonable expectation is that wages will rise and that they will rise faster than productivity.

Of course the crucial question is how much faster. Let me give you several types of figures. You could conceive of a situation in which productivity rose 2.5% a year and the average wage rose 3.5%, or a 1% drift per year. Or you could conceive, as some people have, of a 2.5% rise in productivity and a 4.5% rise in average wages, including of course fringe benefits, making a drift of 2%. You can be less optimistic from the side of stability and envision a 2.5% or 3% rise in productivity and a rise of 5% or 6% in average wages and wage incomes per hour, making a drift of 2.5% to 3% per year.

If between now and 1975, in the absence of open military conflict, we are able to keep the excess of wage rises over productivity in the neighborhood of 25% to 35%, I would say we would be doing very well indeed. I would settle for it personally right now. If the figure rose as high as 50%, that would be kind of muddling through. If it were 100%, we wouldn't be doing very well at all. I don't regard the question as a closed one. It seems to me that this is the area in which public policy making and the policies of private organizations operate.

To summarize my second major point: As we look ahead to this problem of secular inflation, there are structural factors in the society making for an excess of wage increases over productivity. And most of them have nothing to do with the so-called labor monopoly problem.

My third major point is that society is faced with some fairly stubborn choices. If we want stability, how much are we willing to pay for it?

How much do we value labor peace? If we value labor peace highly, if firms are not willing to take strikes to keep wage increases from being 10 cents rather than 7.5 cents per hour, then we are going to have more inflation. If we don't want inflation, we have to change our attitudes toward labor peace.

How much do we value full employment? The more highly we value it, the more certain it is we will have

secular inflation. The more unemployment, in general, we are willing to stand in the community, the greater the opportunity of controlling inflation.

The more interested we are in business expansion and in financing expansion out of profits, the more certain it seems to me that the trade unions will be interested in getting a share of these profits, and the more difficult it will be to control inflation. The more we value incentive methods of wage payments, when it is really impossible to prevent those immediately working upon a job to get some of the immediate benefits of increased productivity, the more certain it is we are going to have wage raises.

So in my third point I want to strongly emphasize that the problem of controlling inflation is not an impossible one. But, like everything else, its control depends upon the price we are willing to pay, relative to other values. My own impression is that the American community has not in the past been willing to pay a high price; it will not pay a high price now; nor will it in the future.



Now, the fourth major point: The crucial problem centers around the mechanisms and controls that the community develops to keep this secular drift within tolerable limits. We are not faced with any German type inflation of the Twenties. The problem is the practical one of whether by 1975 the excess of wage increases over productivity is in the neighborhood of 25%, 50% or 100%.

What types of constraints can the community develop to deal with this problem? Each mechanism has its own price and its own consequences. There is a great deal of talk about the efficiency of monetary controls. But the last year or two have raised doubts about whether monetary controls, within the kind of limits that this community is willing to exercise, can be entirely efficacious in the future. We must recognize that monetary controls come with a price—the price being the impact upon agriculture, small business and home building, and others who may have less adequate resort to credit.

The same would be true if this problem were to be approached by direct controls. Direct controls might be quite efficacious, but they too come at a price—the price of bureaucracy, and the distortion of the allocation of resources in our market system. But we may very well be faced with a hard choice, either to have such types of direct controls or pay the price in the form of a 25%, 50%, or what-have-you per cent rise in prices over productivity.

The over-all problem is a secular one. All groups in the community have something to learn. A good deal of experience, a good deal of mutual education on the type of question may, in the long run, stand us in very good stead. I don't regard the problem as futile. But it is a problem whose solution comes only at a price.

New Concept of Compensation?

by Arthur M. Ross

Director, Institute of Industrial Relations, University of California

BARGAINING pressures on wages can be seen either in a superficial and not too interesting sense or in a very significant sense.

From a superficial standpoint, we might regard these bargaining pressures as merely one of the chronic complaints of businessmen. On the other hand, we can look at the subject, in this year of 1957, as presenting a challenge to identify and isolate the very complex, intricate and fascinating constellation of pressures that, as a practical matter, are focused upon the parties in the wage determination process.

This year, these bargaining pressures on wages are being felt in a most interesting context. They consist of four elements:

One is the continued importance of pattern bargaining. Since we began to think of pattern bargaining ten or fifteen years ago, we have come to realize that there is no such thing as a nation-wide pattern. We have come to learn that pattern bargaining is not universal and that it is much stronger in some industries than in others. We have come to see that the real problem—regardless of whether we have an 18.5-cent pattern or a 5-cent pattern in a particular year—is in identifying the particular orbit or circuit in which the pattern circulates in order to determine the focus of the wage-setting forces, and to identify what items or what topics are properly subject to pattern bargaining.

The second of the recent developments is the popularity of uninterrupted annual wage increases. In a growing sector of the economy, these annual increases are being taken for granted in any year, short of a strong recession. It is true that the systematic theory of annual wage increases based on increased productivity, which was introduced in 1948, has not spread throughout the economy. Nevertheless, increases have become very general, year after year, without using an improvement factor.

A third element in the situation which cries for attention is the importance of the long-term agreement, with deferred wage increases that automatically go into effect at predetermined dates. A profound influence on collective bargaining this year is the fact that there are, according to the Bureau of Labor Statistics, at least 5 million unionized workers who have

wage increases due them this year that were negotiated in previous years. And this figure was arrived at in terms of agreements covering plants with a thousand or more workers each; the figure would be much larger if the agreements for smaller plants were also included. It stands to reason that these predetermined increases were, for the most part, negotiated before anyone could know what the economic picture would be in 1957, or in 1958, or in 1959. Yet these increases have a profound effect on those parties who are ostensibly bargaining independently this year and who will be doing so next year.

A fourth factor is the increasing significance of fringe benefits. That they are a growing proportion of the total payroll is so well-known as to require no comment. For example, in the average firm today, they constitute over 20% of the payroll. The numerous motives that are behind this emphasis on fringe benefits—among them, the desire of hourly paid workers to achieve the status of salaried workers, tax advantages, the fact that fringe benefits strengthen the institutional position of unions, the desire to eliminate the risks of economic life through application of the insurance principle—these are all very familiar and need not be dwelt upon.

The question that must be raised, however, is whether, without recognizing it, we are adopting a whole new concept of compensation. Is the practice of paying workers by the hour now becoming an obsolete accounting mechanism? Does it merely hide the fact that the concept of an hourly wage is out of date, and that what we are doing is underwriting the economic needs and the economic risks of the worker in a much more comprehensive way?

This concept of compensation, by and large, is being accepted with relatively little resistance from management. Indeed, there seems to be a good deal of eagerness on the part of management to meet the economic problems and risks of the worker, particularly in a period of full employment, such as now. Of course, this approach is also sought with eagerness on the part of the unions. Yet there is relatively little recognition by the academic fraternity that perhaps a broad new concept of compensation is developing in industry today.

Postwar Structural Wage Strains

by Frank C. Pierson

Professor of Economics, Swarthmore College

THE ISSUE to which I should like to address my remarks is a two-fold one. The first concerns the prospects for wage changes in different parts of the American economy in the next decade; and the second, the most effective steps which employers can take to deal with the wage trends which lie ahead.

The wage-price squeeze, if this is a proper term, does not appear to me to be a temporary phenomenon or even a cyclical one. Rather, there are cogent reasons for believing that American firms will face a continuing rise in money wage levels over the indefinite future. Moreover, the increase will probably occur at a rate that will impose considerable hardship on all but the most fortunate or resourceful companies.

Of the various influences which will contribute to this marked upward trend in wages, the long-term scarcity of labor strikes me as the most important. So often the issue posed by rising wages is put in terms of possible unemployment, possible excess or unused labor, but in my view what confronts most employers today is long-term labor scarcity.

One employer recently remarked to me, "If we're going to have to pay \$3 an hour for labor, we'll just have to arrange to do without it." His statement would have been more accurate if he had referred specifically to skilled labor or even semiskilled labor. But I would agree, essentially, that the price of labor is reaching a point where the use of inefficient or unproductive labor is now quite out of the question. I would argue that it will not be many years before a semiskilled worker will be receiving at least \$3 an hour, in terms of present prices. When labor gets that scarce, the best policy for a company to follow will be to hire a crackerjack director of sales and a first-rate director of research, if persons with these rare talents are still obtainable.

This continued rise in wages is something comparatively new in American industry. Previously, upward wage pressures have tended to be a cyclical phenomenon, with increases in labor costs being felt toward the top of the boom. But what I am suggesting to you is that the long-term prospect for American industry is a chronic undersupply of many types of labor or, what is the same thing, excess demand.

This points to two main conclusions that seem to me to be fundamentally important. First, the rising

price of labor has become one of the most pervasive influences in our society, making for radical changes in the relative prices of goods, in the physical composition of products, in the methods of their production, and in the very structure of American industry. We are well on the road to making competition for the laborer's hire, as well as competition for the consumer's dollar, a dominant influence in American life.

A second major conclusion to be drawn from this prospect of long-term labor scarcity is that the individual firm's survival in a highly competitive labor market calls for essentially the same strategy as does its survival in a highly competitive product market—that is, improvement of product and more economical methods of production. Momentarily, price increases may provide a way out. But I don't know of any company, or industry for that matter, that has built its success over the long pull on a policy of raising prices. Indeed, any firm which counts on higher prices as the principal means of escape from wage pressures is definitely slipping and had better start looking around for some new ideas or maybe some new leadership.



In appraising the effects of rising wages, then, the most important factor to be kept in mind is the economic development of the particular firm or industry affected in terms of its growth or life cycle. If a firm is expanding its sales or if it is engaging in a vigorous program of research and technological change, it of course will be able to absorb wage increases far more easily, with far fewer repercussions either internally or externally, than a firm or industry that is static or going downhill. In an environment of growth, a company has ways of adjusting to wage increases which would be foreclosed under other circumstances.

In this connection it is important to distinguish between the individual firm and the industry, because the pressures in the case of individual-firm bargaining are quite different from the pressures experienced by an industry group. Here, the important concept to keep in mind is that it is fairly easy, relatively speaking, for an entire industry to raise prices but very difficult for the single firm to do so. Since a group of employers is often in a position to raise prices where a single firm cannot, it follows that group bargaining

or industry-wide bargaining tends to aggravate or complicate the inflationary process.

To point out the factual aspects of the postwar wage problem, I would like to raise this statistical question: How successful has American industry been since the war in meeting this fundamental change in the national labor market?

Perhaps the question should be put the other way: How far has labor been able to push up wages beyond the capacity of employers to absorb the higher levels of pay without raising prices?

The data in the three accompanying tables may help clarify some of these issues. Table 1 is simply the familiar comparison between hourly earnings in manu-

facturing, output per man-hour, and the really important price series—the wholesale industrial price index—rather than the consumer price index.

The point of this table can be quickly summarized: the rise in hourly earnings comes to about 48% over the ten-year period from 1947 through 1956. The annual rise of 3% in output per man-hour, compounded for the period, is an increase of 30%. The total increase in wages minus the increase in output per man-hour gives us roughly the increase in industrial prices—22%. If we had included fringe benefits in the hourly earnings figure, it would have been six or seven percentage points higher. These data make it clear that wage pressure has been an important inflationary influence in manufacturing.

Table 2 deals with the question of pattern-bargaining among industries. The figures compare real hourly earnings in four broad categories of industry: durable manufacturing, nondurable, building construction, and retail trade.

The figures show that by far the largest increase in real hourly earnings occurred in the building construction industry—an increase of 71 cents between 1948 and 1956. In retail trade, wages increased only from \$1.23 to \$1.57.

The significance of these figures is that even in these broad terms we have nothing like pattern-bargaining in the United States. The difference between a 71-cent increase in construction and a 34-cent increase in retail trade is certainly a clear indication of the diversity of wage patterns.

However, there is sufficient uniformity among industries, as well as within industries, to cause real hardship for a number of employers and a number of industries. This is brought out sharply in Table 3.

In this table I have compared two extreme cases—primary metals and textile products—to bring out a crucially significant point. In primary metals, the wage increase was far larger than in textile products. The index of wages in primary metals, chiefly steel and other nonferrous metals, increased from 101 to 164. In textile products, the hourly earnings figures show an index increase from 103 to merely 128. Now, compare the experience on prices. The price of metal products, which we think of as roughly comparable to our primary metals, rose from an index of 104 in 1948 to an index of 149 in 1956. But the price of textile products has fallen, as we all know, from an index of roughly 104 in 1948 to an index of 95 in 1956.

The moral of the story is that the small wage increase in textiles has had a far more serious impact on that industry than the larger wage increase in primary metals. The metals producers have been able to raise prices and maintain profits in a much better fashion than the textile producers. In this sense, wage uniformity, even of the limited sort that we have experienced, has had a very real and important effect on

(Continued on page 300)

Table 1: Wages and Prices in Manufacturing, 1948-1956

Index Numbers: 1947-49=100

Year	Hourly Earnings in Mfg., Excl. Overtime	Output per Man-Hour in Mfg.	Indus. Whole- sale Prices
1948	102	103	103
1949	106	106	91
1950	110	109	105
1951	119	112	116
1952	125	115	113
1953	133	118	114
1954	137	122	115
1955	141	126	117
1956	148	130	122

Sources: *Monthly Labor Review*, Feb., 1957, p. 252
Economic Indicators, April, 1957, p. 24

Table 2: Real Wages and Prices in Selected Areas, 1948-1956

Year	Real Hourly Earnings (1956 Prices), Incl. Overtime			
	Durable Mfg.	Nondurable Mfg.	Bldg. Construction	Retail Trade
1948	\$1.59	\$1.44	\$2.09	\$1.23
1949	1.68	1.51	2.21	1.30
1950	1.74	1.56	2.30	1.33
1951	1.75	1.55	2.29	1.32
1952	1.81	1.58	2.36	1.35
1953	1.90	1.63	2.52	1.42
1954	1.94	1.68	2.63	1.47
1955	2.04	1.74	2.70	1.52
1956	2.10	1.81	2.80	1.57

Source: *Economic Indicators*, April, 1957, p. 14

Table 3: Index of Wages and Prices—Metal and Textile Manufacturing, 1948-1956
1947-49=100

Year	Index of Hr. Earnings, Incl. Overtime		Index of Prices	
	Primary Metals	Textile Products	Metal Products	Textile Products
1948	101	103	104	104
1949	106	105	105	96
1950	110	110	110	99
1951	121	117	123	111
1952	126	120	123	100
1953	137	121	127	97
1954	139	120	128	95
1955	149	123	137	95
1956	164	128	149	95

Source: *Monthly Labor Review*, Earnings and Prices Series

Wages, Incentives and Productivity

by George W. Taylor

Professor of Labor Relations, Wharton School of Finance and Commerce

SINCE THE CLOSE of World War II, with the exception of one or two years, the general level of wages in this country has moved steadily upward. Perhaps more important, so-called fringe benefits have been significantly increased. Because of a series of breakthroughs in the fringe area, the dimension of wage determination is much greater than ever before. It is extremely significant that the rate of increase for fringe costs probably exceeded the upward movement of wage rates themselves.

To be sure, some wages have lagged. Employees in jobs requiring higher skills, especially in the mass-production industries, are sometimes pretty unhappy about their relative share in the increase. Some of the employees in the less dynamic industries, where wages are lagging, exert strong pressures to increase the legally required minimum wage, both in coverage and amount. These pressures, I have no doubt, will continue strongly.

Not only have wages increased notably in the past decade, but regularly scheduled hours of work have steadily decreased. The long-term trend toward shorter hours of work has probably continued as strong in the last ten years as at any other similar period in history. It is masked somewhat because we think of a forty-hour week as standard. Previously this movement toward shorter hours took the form of a reduction of scheduled hours from forty-four to forty, for example, while the weekly wage was maintained for the shorter week. Recently this movement has given rise to paid vacations, paid holidays, paid sick leave, and the like. In this form of reduction of hours of work with maintenance of pay, the movement toward shorter hours has been more gradual making it easier, perhaps, for workers to achieve because of its very gradualness. I suppose it is fair to say that right now our average regularly scheduled working hours per week are closer to thirty-five than to forty.

But mere measurements of the rise in wages and the reduction in hours do not adequately portray some fundamental changes which have occurred in the basic concepts used in the determination of wages. Wage theory and practice are in a state of flux.

It was once widely assumed that wage rates lag on the upswing of a business cycle. But to avoid annual

bargaining, many companies are now agreeing in their long-term contracts to increase their wage rates faster than any comparable increase in the consumer price index.

We used to say that wages can't be paid for time not worked. Now it is rare to find an employer who does not pay wages of some sort for time which employees do not work.

Clearly, some brand new ideas about wage determination have come into being. They make the complexities of wage determination greater; they also make the task of business management far more exacting. Our record of accomplishment in this respect makes a shambles of traditional Marxian theory. There is surely a greater absurdity today than ever before in the Marxist insistence that in our kind of society, the wage earner is doomed to increasing misery. I have noticed, too, that management feels a deep sense of pride in operating a company that is said by its employees to be a good place at which to work. That is not in accord with the dialectics.

There is, however, much disquiet—and understandably so—about two areas in particular. First there is the possibility that the rate of wage increases in the pace-setting industries will outrun productivity gain and therefore contribute to price increases in those industries where the market permits them. Second there is the risk that such key determinations will generate insistent demands for relatively large wage increases in industries unable to either achieve increased productivity or to pass the costs on to the consumer. In some industries, price increases have again raised the fear of inflation; in others, there is more and more talk of a profit squeeze and deflation.

In considering these problems, it must be recognized that under collective bargaining, one of the most important criteria for formulating the terms of employment is deciding what terms are preferable to a work stoppage. In at least one industry, the term "doorknob price," has come into usage to epitomize this factor. This price is evolved when it is ten minutes to twelve and the agreement expires at midnight. Both sides may say, "We can't agree." It looks as if there is going to be a strike. The representative from one side gets up, gathers together all his papers, and stomps to the

door. But, just as he gets his hand on the doorknob, he turns and says, "We might settle for this." That's the "doorknob price" in collective bargaining.

Any explanation of the wage increases and the so-called fringes granted in the postwar period is incomplete unless the need for avoiding strikes is brought into the picture. The price that management has been willing to pay to avoid a strike has been high in these past years. Why shouldn't a company settle at relatively high terms, when the continuity of supply is more important to its customers than the maintenance of prices?



What we are now fundamentally concerned with, however, are certain doubts as to whether collective bargaining—whatever its usefulness in avoiding inequities to employees—can also adequately serve the consumer and the public interest during these times when consumer demand is not exercising the usual strong restraints on the employer. The consumer has power if he would only use it. To stop buying certain items when prices rise is a very powerful weapon. But consumers have not exercised their powers in this direction.

Wage controls are not the answer. They can only be considered seriously in wartime, and even then, they are not all they are cracked up to be.

The obvious approach to the wage question in a country like ours is to further develop improved employee-union-management relationships. Management, when it takes an initiative in solving the problems that go into industrial relationships can go far in improving this critical aspect of running its business. And the major area in which improved relationships are a must is productivity.

The problem is basically simple. When there is to be a change in technology or improved methods, the cooperation of the union depends upon the manner in which employee problems are attended to in the planning. The extent to which changes in methods and technology have the support of the workers and the unions is critical in determining whether a company gets the increased productivity it must have in order to match or go beyond the increase in wages that is involved.

Actually, what we're talking about is something that Fred W. Taylor said years ago was the objective of so-called scientific management: high wages and low labor costs. The nature of the employee-union-management relationships in the plants is a critical factor in determining how much productivity we get. Any obstacles to making these changes in methods and technology in the plants are going to mean big differences in the competitive position of a company.

Nor can it be assumed that added productivity is a concomitant of wage incentive plans. Indeed, the number one operating problem in wage determination

is the breakdown of such plans. In too many cases, incentives have become an impediment to maximum production. When standards are loosely set over a long period of time, vested interest in loafing has been known to develop. I know cases where some workers are able to make their sixty B's in four hours, and their eighty B's in six hours. By management's definition, their output is at standard pace in the one instance, and at incentive pace in the other. Then when technological changes come along, there is an insistence that the rate be set for the new job so that the men can earn the same or better wages in the same working time. There are new plants at which new equipment operates at less than capacity because incentives have long since gone haywire.

There have been some notable instances of workers fighting to retain incentives while management sought to throw them out. Yet the system originally had been put into effect over the opposition of the workers. When the relations between the workers and the industrial engineer respecting incentives become a game, workers traditionally have done pretty well for themselves.

The solution to this problem is long overdue if the values of incentives are to be retained. One of the basic premises underlying incentive systems has been that the real worth of jobs, particularly of factory jobs, can be objectively or even scientifically evaluated by such factors as effort expended, skill required, educational need, responsibility, and so forth. The

THAT MISNOMER "FRINGE BENEFITS"

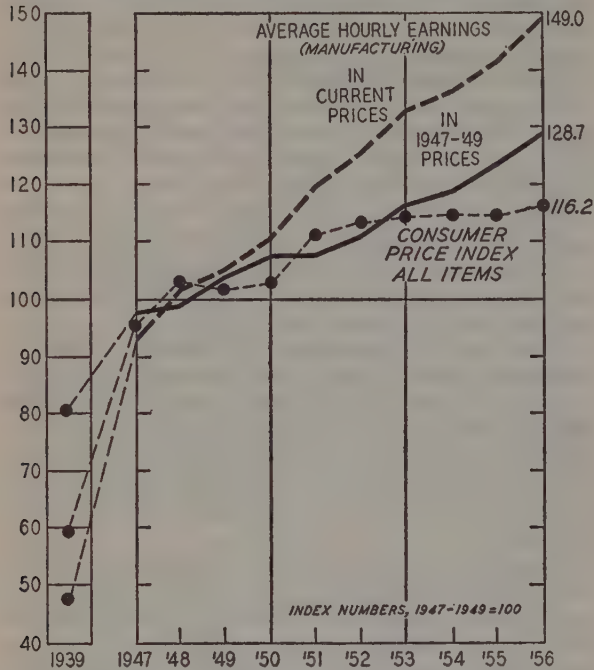
I am conducting a one-man crusade against the continued use of the word "fringe." I participated in some of the earlier negotiations when the term was first used. The reasoning underlying the use of the term was something like this: An employee works for fifty-one weeks. He gives good value and service. A week off to charge his batteries will make him a better employee. He can, therefore, be given a week off with pay because that doesn't increase costs. Without the vacation, he would be a less efficient employee. It was called a fringe because it was conceived as a supplemental wage payment which did not increase costs.

That concept was modified when vacations were equated with cents-per-hour general wage increases. Vesting in vacations then inevitably developed. Now an employee looks upon vacation pay as a part of his wages. That's the way it was set up. If he quits, he gets his prorated vacation pay because this was provided for "in lieu of a wage increase." The cost impact has changed somewhat.

My one-man crusade is to drop the use of this word "fringe" and call these wage payments collateral payments supplementary to the basic wage rate structure.

George W. Taylor

Chart 4: Rising consumer prices have absorbed some of the increases in hourly earnings of factory workers.



Source: Bureau of Labor Statistics, cited in "Productivity, Prices, and Incomes," Joint Congressional Economic Committee.

ideas vary. But usually productivity is not included as one of the factors in objective measurement.

Can this productivity factor really be excluded from the wage determination process under incentives? This is the question that has arisen. For example, a new device is put on a machine, or its operation is altered in some way, so that a 10% increase in output is achievable, even though skill and effort factors are decreased by 10%. By working 10% less, the employee can turn out 10% more product.

Management suggests that it is more fair to maintain the old earnings on the easier job. The union insists, however, that the employee should share in the added productivity. In most such cases the union view has been prevailing, and employees have been sharing in the added productivity. Establishment of a rate favorable to the operator of a changed job then evokes claims of so-called intraplant wage rate inequities by other employees. They can support their claims by criteria that the industrial engineer stands by. Such chaotic internal wage rate relationships have sometimes been created that management has had to try to discontinue an incentive system that it introduced in the first place over the bitter opposition of the employees.

There are strong reasons, I think, for industrial engineers forthrightly to recognize that the productivity factor cannot be excluded from the evaluation of

jobs. It has not been included in practice. The urgency of facing up to the realities comes because of this across-the-board productivity increase to which earlier reference has been made. If an annual across-the-board wage increase is provided for in advance because of an expected increase in general productivity, and if, beside that, the particular wage rates, under an incentive plan are to be increased because of specific increases in productivity, a double wage payment may quite possibly be made for increased productivity.

Another adverse consequence of incentive systems gone haywire has created a situation which is adding to our industrial folklore. Old Bill has been a first-class mechanic for many years. He served his apprenticeship, is now a skilled worker, and can do anything encompassed by his craft. He earns \$2.50 an hour. His son graduates from high school and immediately gets an incentive job in a plant. After three weeks on the semi-skilled job, the youngster brings home \$2.75 an hour. The old man, who is really a craftsman with some status, is not so proud of the boy's earning capacity as he wonders about his own wage. And if the youngster starts acting up because he brings home more than the old man, his loss of status can make him feel benighted.

I've placed a considerable emphasis on wage incentives, despite the technicalities, because failures in this area have been quite serious. In some cases, covering a period of a year or two, wage increases derived from day-to-day administration of the incentive plan have amounted to as much as the general wage increases agreed to in the labor contract in the first place.

The incomparable strength of management in the United States, I believe, is grounded upon its ability to adjust to new situations and to overcome challenges. This attribute is not limited to production, financing, and merchandising problems. The advent of collective bargaining, which is a new system of making business decisions, has required a considerable reorientation of business thinking. Management's adjustment has been notable. Further managerial adjustment to some of the fundamental changes in the conception of wage determination are being gradually worked out.

If it is any comfort to management, it can be noted that these new wage considerations are not unique to the United States. The demand of wage earners for better status and for wages that rise faster than the cost of living is not confined to this country. These demands have arisen in all free, democratic countries.

The difference is that in other countries, even where resources are more limited than they are here, they have become political issues, not bargaining issues. In the United States, these new concepts have increased the scope and the complexities of collective bargaining and the complexity of management's job.

What Happens in Pattern Bargaining

by Robert K. Heineman

Director of Industrial Relations, Aluminum Company of America

WHAT IS pattern bargaining and how does it start?

In the first place, you have to have an industry or a group of employers who are competing in the same labor market. Take the automotive industry as an illustration. There is terrific concentration in the Detroit area where companies compete for labor. These firms sell their products under pretty uniform conditions, and whatever one employer pays in the way of wage rates the others must at least match. That means if one of the automotive big three grants a general wage increase, which is the simplest form of a pattern, it becomes a so-called break in the front. The others feel that they cannot do anything but pay the same money.

The size of the industry and the number of people involved give that particular settlement the momentum, or the magnitude, of a pattern. And this spreads rapidly in the automobile industry. From there the pattern spreads—in somewhat diminishing strength, but nevertheless with considerable impact—to the bordering industries of suppliers. It also is likely to catch some steel and aluminum companies that have plants in Detroit.

We find then that there is a pattern looming on the horizon. If the automotive settlement is in May, then the next pattern negotiations might come in the steel industry in June or July. Here union rivalries become a factor. I think it is safe to say that the head of the Steelworkers' union would feel that he could not settle with the steel industry for less than the amount of the automotive industry settlement. If he did, he would lose his job. So he uses whatever influence he has to shut down the steel industry unless the automotive pattern is at least extended to the steel industry. Steel management then is faced with two alternatives: a settlement on the basis of the automotive pattern or a serious strike. The result in recent years has been settlement on the basis of the pattern.

Certain other patterns may develop concurrently with those in the automotive industry. A settlement for certain skilled trades may spread as a pattern in terms of a particular union, like the International Association of Machinists. The Machinists will get agreements in shops that compete for labor, and any

single company will find itself believing that unless it pays that pattern it will not be able to retain its skilled workers. Thus, another pattern will get under way.

Now, the simple wage pattern was probably the forerunner of what we have today. Some years ago we began to move beyond patterns in wages, and on to the items that are called fringes. Paid holidays, vacations, and sick benefits were among the early fringes spread by pattern. First a sick-pay and holiday settlement in the automobile industry spread to the steel industry, and subsequently to the aluminum industry.

We in the aluminum industry are in the same labor market as the steel industry. Thus, we feel that we cannot escape the patterns and still retain our ability to keep our help. Once we tried settling for less than the wage pattern only to find ourselves forced some months later to up our rates in order to keep our employees. Experiences like that lead many managements to make this difficult decision. They don't like patterns; none of us do. But they, as stewards of the enterprise, are required to handle these affairs with the least possible expense. In a competitive labor market if they duck a pattern, they are often faced with the problem of having to pay more later on.

The second group of fringes spread by pattern were of the social benefit type. Insurance and pension agreements made in connection with wage settlements in other industries were brought over to us for acceptance, lock, stock, and barrel.

One problem in pattern bargaining on these items is the conflict between bargaining on a benefit as opposed to bargaining on the money amount of a package. In the case of insurance, for example, you have the problem of dealing on a cost basis or a benefit basis. You may supply an equivalent insurance benefit program, which, because of your experience and the business you are in, costs less than it would in the pattern-setting industry. But if the pattern is in terms of a cents-per-hour package, the union says, "No, we want you to spend the same amount of money and whether it produces a different level of benefits makes no difference." However, if the reverse is true and your benefit levels are lower, then the benefit level becomes the pat-

tern, even though your cost is higher than that of the pattern-setting industry.

The same problem is present in supplemental unemployment benefits, and here the cost varies more than with other items because of the differences in continuity of operations. Pensions also present very difficult problems, since there are not only actuarial differences but also differences in funding methods.

So with certain benefits, it takes a good deal of scrutiny to determine just what the pattern is. You can't take the position that you will observe only the benefit levels negotiated in some other company or industry, because sometimes that will produce the wrong answer for you. Neither can you say you will just consider the cost, because sometimes that also will produce the wrong answer for you. You have to jockey your way through the best you can, taking the benefit level in one instance and the cost in another, if you are to get the most advantageous settlement.

The third type of pattern—and this creates more difficulty—is what we might call the operational type, although here there is some overlap with the social benefit pattern we have just considered. Such items as job evaluation and supplemental unemployment benefits, both of which we have been confronted with, reach right down into our basic operating procedures. When the pattern of a company that has utterly different operational and marketing methods is imposed on us, some very difficult problems arise.

You can go even further with patterns, and get into matters that are purely operating problems: scheduling, distribution of work, job assignments, and such things as a general agreement to freeze all local agreements and make them unchangeable for the period of your master labor contract.

Of immediate concern is the emphasis that unions are placing at the moment on the organization of salaried white-collar people. The imposition of patterns there can be even more serious, of course, than in production and maintenance units.

We don't like pattern bargaining. We are very much opposed to it. And our dislike is based on more than the wages and benefits involved. Pattern bargaining goes a long way toward eliminating collective bargaining. In the interest of getting a quick, easy settlement, local considerations that may require modification of the pattern are by-passed. Negotiators just take the pattern as it comes across the street. It is an escape from the full process of collective bargaining.

I am afraid that a number of people who are supposed to be in the collective bargaining field do not find this too distressing. They prefer to duck the difficulties involved in facing their employees with the problems and talking about them. They would just as soon short-cut collective bargaining because the

sessions aren't always easy; union people sometimes have bad manners; things can get a little unpleasant and even run away from you if you don't handle them right. A significant part of the acceptance of patterns has been a willingness on the part of many top-management people and top-union people to by-pass that very basic responsibility.

But the consequences are pretty severe. Your own plant people's local problems that require solutions, as well as the problems that the local union representatives bring up, get a cursory discussion at best; no local problems are really solved. Thus, pattern bargaining is actually an escape from using collective bargaining.

At Alcoa, we have some ideas on what has to be done. And we have started using them with some success. First, you have to stop the deals between the top man in the union and the top man in the company. You have to stop the idea that your industrial relationship depends upon a couple of personalities and their ability to get to and solve problems. You have to sell your management on the idea of letting collective bargaining take place. And you have to sell your union on the idea that collective bargaining should take place—a lot of them don't want it either. I am not suggesting for a moment that we eliminate top management-top union discussions. But they should be used only for the purpose of getting over some humps in your final settlement, not to substitute a pattern for collective bargaining.

Our second major belief at Alcoa is that you have to stop running away from the process of collective bargaining. Unless we tell our own employees who are elected to come to these sessions what is on our mind, unless we sell them the kind of a settlement we want, we have nobody to blame but ourselves if we end up getting something else.

We took a nine-day strike over this issue last summer. We are insisting on doing our bargaining with our Alcoa people and their elected union representatives from the plants. We are insisting that the agreement we make be with them. This is a lot harder and a lot more work. But we don't believe that you can ever get away from patterns unless you follow this policy.

We must get away from the idea (which a lot of us have drifted into) of looking at collective bargaining as just being an institution where certain labor leaders have a lot of power. We must get back to using it as a process by which we try to solve our problems with our people, and, much more important, to tell our people in union meetings what we are thinking about. You, like us, will be thrilled to see how interested these people are in your opinions about the problems they bring up.

Pattern Bargaining

Why It Developed and What To Do

by Burton A. Zorn

Partner, Proskauer Rose Goetz and Mendelsohn

ENOUGH has been said about pattern bargaining, or "follow the leader," or wage leadership to indicate that there are a great many misconceptions about it. There are no simple panaceas that will curb the power of unions—or for that matter, of large companies—to create patterns that will have direct and indirect effects on other industries and on the economy in general.

Pattern bargaining also has been attacked as a destruction of true collective bargaining, as an instrument of monopoly power, and as an effort by big unions and big employers to set up centralized national collective bargaining, such as exists in Sweden, Norway, Italy, and the Netherlands.

There have been many solutions suggested to eliminate this so-called terrible evil of pattern bargaining, or the imposition of patterns on other industries and on smaller employers. Suggestions have been made that there is one simple, easy way to handle this whole problem. All you have to do is pass a law to cut the unions down to size, cut down the extent of their bargaining units, and prevent international unions from taking any active part in labor negotiations. By this very simple device you eliminate the problem entirely.

I am very skeptical of most legislative solutions. I am particularly skeptical of this one. Granted that the growing strength and centralization of unions is an important factor, it is certainly not the only factor, or perhaps not even the most important factor, in pattern bargaining. I certainly would advocate legislation to limit such monopolistic union practices as feather-bedding, restrictions on productivity or the use of new methods or equipment etc., and secondary boycotts that involve innocent neutrals in a labor dispute. Such limitations, I think, would be constructive. But the suggestion to fragmentize unions is totally unrealistic.

✓

The unions themselves have not unilaterally created and developed all our present forms of collective bargaining. Different companies, different industries, different firms have their own particular problems. Their responses to these problems are different in varying degrees. The nature of product markets, the problem of labor scarcity, the nature and extent of the demand for goods and services, and the ability of

employers to absorb cost increases through price adjustments are among the factors that influence the form of collective bargaining.

Why is it, for example, that even prior to the advent of unionization, the steel industry more or less followed the leader in terms of patterns created by the United States Steel Corporation? Why is it that the steel industry and the motors industry believe very strongly in company-wide bargaining, whereas other industries don't feel the same way about it at all? There are reasons in each case. So to suggest that cutting down the size of unions will solve the problem does not get down to the basic issue.

The structure of unions themselves, their policies and their rivalries all play an important part. We know, for example, that Dave McDonald is never satisfied to get only as much as Walter Reuther. Because of intense personal rivalry, he has got to get something more. We know Jimmy Hoffa of Detroit is always affected in his Teamster bargaining relations by the fact that he wants to show up Walter Reuther. These intense personal rivalries exist all through our labor movement and play a real part in determining the nature and results of collective bargaining.

Another factor of extreme importance is the extent of government participation or government intervention in collective bargaining matters. The War Labor Board, the postwar fact-finding boards, and the Wage Stabilization Board all helped create and impose patterns. By contrast, the experience of recent years has been in the other direction. The policy of nonintervention and, even more explicitly, the recent concern of the President with the inflationary spiral create a climate where industry can stand up a little more strongly against current patterns of higher and higher wages.

Just as there are misconceptions about pattern bargaining, so there are also misconceptions about its effects. The effects are strong in certain areas, and they do influence the national wage structure as well as the fringe movement. But any notion that we have an over-all national wage pattern just isn't so.

The so-called first-round 18.5-cent settlement at General Motors, which was followed by the fact-finding boards in other industries, did not result in an over-all 18.5-cent pattern for all industry. The figures indicate that the average increase for all manufacturing that year was 14.5 cents, and in nonmanufac-

THE \$64 POLICY QUESTION

We watch very carefully what the union leaders are doing. We may see one of them starting to get his neck out quite a way on some proposition. This may be months before negotiations are scheduled, but we sit down and ask ourselves: "Will we take a strike, or will we go along with this fellow?" If we say to ourselves "Yes, we'll take a strike," we call in the union leader and we say, "Joe, you are making a great mistake, because we are not going to do that. You might just as well get ready for a strike over that issue if you think it is important enough." It is surprising how many times he shifts to something else.

Now, by the same token, if our answer to the "will we take a strike" question is "No," then our actions are very different. We don't call him in and talk to him. We begin to develop a program against him—through our foremen, letters to management, through educational programs—to lose him the support of his people on that particular issue.

But always we ask ourselves the question—the \$64 question—the only one that ever really means anything, "Will we take a strike on that issue?"

Leland Hazard

turing it was 8.5 cents. Whether the averages would have been the same without the 18.5-cent pattern, of course, is another story. There is no question that they were influenced by it.

Each industry has its own problems. I don't know of any way we can dictate to particular industries the responses they should make in their own self-interest. That depends very largely on the economics and the policies of the particular industry.

Take company-wide bargaining as an example. Steel, automobiles and electrical equipment have generally accepted company-wide bargaining. But the oil industry by and large has rejected it. The newspapers recently reported that a very large, multiplant chemical company took a strike over the issue of company-wide bargaining. This company didn't believe in it and was willing to take a strike to beat it.

Some years ago, the union in the baking industry attempted to broaden the base of its bargaining. It tried to destroy local association bargaining with the Continental Baking Company by demanding company-wide bargaining. The industry decided that its self-interest lay in the continuation of local association bargaining and that it would be much more vulnerable if there were company-wide bargaining on the part of the major firms. After a long labor board proceeding, the NLRB finally decided that company-wide bargaining was inappropriate because of the long history of association bargaining.

In that case, the labor board made some interesting comments. It stated: "The union asserts that in

making unit determinations the board should favor that unit which gives the employees the greatest degree of bargaining power." After a long discussion of whether the board should accept this bargaining theory, it concluded that it was not possible for it to use the economic power test as a basis for setting up appropriate bargaining units. Its final statement is very interesting: "Finally the board would be faced with an impossible administrative problem in trying to decide what equality of bargaining power does or does not exist."

Now, what conclusions does a review of the complexities involved in pattern bargaining lead to?

First, where company-wide or industry-wide bargaining exists, it is imperative for the preservation of real collective bargaining to recognize the importance of negotiating on an individual plant basis and to transfer as many bargaining problems as possible to that level. Many company-wide bargaining setups would be far better off if the concern had master contracts dealing with general wage movements and social benefits and left such things as job structures, local seniority problems, promotions, and transfers to be negotiated on a local level.

Second, there should be far greater development of employer collaboration, on a local, regional, and national basis to match the growth in power and centralization of unions. The classical example of this need is in the automobile industry. There Walter Reuther sits year after year in the perfect position of striking Ford, or striking GM, or striking Chrysler; because the big three are engaged in their bitter competitive struggle, and in their kind of product market, a strike against one seriously affects its position as regards the other two.

A lot of companies have found that the only way you can have real defensive strength against union demands is for employers to get together and to stick together. That is highly desirable but sometimes difficult to accomplish.

Finally, there should be an intensification of resistance by employers to the acceptance of patterns. The climate is much more propitious now and in the immediate future for more genuine collective bargaining than it has been in recent years.

I am not suggesting antiunionism or union busting or anything of that kind. But what has been happening in recent years is a very simple phenomenon. In a complete swing of the pendulum from the old days of the yellow-dog contract and brass knuckles, industry in recent years has gone overboard in its desire to be the good fellow, to have harmony and peace at any price. Harmony is always good, but there are times when a firm, strong resistance to uneconomic and unjustified demands is more important than "peace at any price."

Management Action on Wage Inflation

by Leland Hazard

Vice-President and General Counsel, Pittsburgh Plate Glass Company

THE ATTITUDE of management, particularly big business management, toward wages has tended to be an inflationary factor.

One might paraphrase in support of this proposition the scriptural rhythm: production, price, profits, and the greatest of these is production.

This is to say that big business management tends to avoid interruption of production even at the expense of a temporary invasion of profits. Lest you misinterpret me, this is not a moral proposition; it is a business proposition. The reason for it is one that flies in the face of classical wage theory. Classical wage theory predicates the business manager with a sharp pencil, each day calculating the last increment of hourly wage against the cost of more machines.

But the facts do not seem to bear out the classical wage theory. The reason for the "production first" proposition, with price and profits coming after, is that business management above everything else seeks the status of a dependable supplier. Large producers of big business feed pipelines leading to a few equally large or even larger consumers—for example, steel or glass to automotive producers; chlorine or caustic soda to synthetic fabric producers. I could multiply these categories, but you see what I mean. A man from Mars, watching railroad and highway networks, would see the whole of American big business production as a single interdependent integration. He would scarcely guess that there are separate ownerships as between suppliers' plants and manufacturing consumers' plants. He would understand perfectly the manager's reluctance to interrupt his big customers' production. There are not many big customers; loss of even one can be a major disaster.



So it is almost rule number one, particularly on the upswing of the business cycle (and we have had an upswing for twenty years), that you do not interrupt your big, scarce customers' production. And the same analysis holds true for a big producer supplying millions of brand-conscious customers. Take household appliances, for example. Millions of dollars in advertising have converted millions of people into loyal adherents of a brand name, often simply the name of the corporation itself. To let these adherents down for lack of production is a consummation devoutly to be avoided.

Thus it is that, particularly on the upswing of the cycle, a big business manager tends to pay whatever it takes to maintain production. And, as already stated, we have had such an upswing for twenty years. First came recovery from the great depression of the Thirties, and then war, and then the postwar recovery, and then Korea, and now the population explosion. We have had almost unprecedented continuous compulsion to produce since 1938.

The attitude of the big business manager, which is uneconomic according to classical theories of wage setting, has been an instinctive conviction that, over the long pull, increasing productivity could recoup the temporary invasion of profits consequent upon the payment of a more than comfortable wage.

And it may be said that this instinctive confidence has been justified up to now. But the question arises whether that confidence is justified any longer. Have we used up our "technological fat"?

In the segment of big business in which I work, the percentage increase in wages, including fringes, since 1948 has been at least twice the percentage increase in productivity. I have examined enough current, authoritative writing to believe that our case is not altogether exceptional. Obviously, this is the highly publicized squeeze on profits.

The alarmists put it this way: more wage, more price, more cost of living; more wage, more price and so on, until our economy spirals upward and outward into a release from reality which no one dares define precisely, but which no one regards with complacency.

Proposed remedies run the gamut from direct price, wage and salary controls (to use some ugly words) to monetary and fiscal manipulations by the government of a nature more sophisticated than most management people, even big business management, can understand. And it is not surprising that we do not understand sophisticated factors in our economy, because the experts themselves are not always in agreement. I do not say this disparagingly. In my opinion, one of the brilliant achievements of the past twenty years has been the development of an economic literacy, both in and out of government, equal to all of the accumulated learning from Adam Smith to John Maynard Keynes.

So, without intending to approve or disapprove of what government has done, or may do, or plan to do, about the squeeze on profits—a squeeze which in the

end necessarily must constrict production—I suggest that collective bargaining is a factor not to be under-rated in the search for techniques to interrupt the upward spiral and forestall devastating inflation.

We must not forget that the strike is as much a legitimate consequence of collective bargaining as the agreement. But before amplifying on the role the strike may soon play in interrupting the wage-price spiral, let me discuss first some new dimensions of collective bargaining that I consider hopeful. Perhaps they are not altogether new, but certainly new in some segments of industry.



Just as economic literacy has increased markedly in government and management during the past twenty years, so also it has increased in union management. In the segment of business that I know about, we are beginning to disclose to our unions some facts of our economic life which twenty years ago would have been considered the proper concern of management only.

For example, the comparison I have given you of percentage wage increase versus percentage productivity increase since 1948 would not have been disclosed to our unions twenty years ago—or even ten years ago, or even five years ago—for fear that it might lead to some detailed knowledge of our costs that ought not to fall into the hands of our unions. But now that an era is ending, now that it is plain that wages have outrun productivity and that there may not be enough technological fat to live on, we are becoming less secretive.

In the business that I know about, we are now conducting an organized “operation understanding.” This program involves a collaboration between our industrial relations department, our public relations department, and the appropriate staff and line services and authorities. Precise knowledge of our problems and of the developments of our domestic and foreign competitors are laid on the line. The program does not involve indiscriminate crying of “wolf.” It does involve the asking in open forums, with our unions present, of the hard questions that management needs to ask itself and to which management needs to find answers. And we ask some questions to which we think there can be no answer other than a self-imposed restraint on union power, unless nonagreement—the strike—is to be the outcome of our next negotiations.

We have confidence in “operation understanding.” We are pursuing the program systematically, devoting substantial amounts of time, talent and money in the exercise of economic literacy.

But let us assume that collective bargaining will not be enough (even with the improved techniques and even with the increased candor of management and the enhanced respect of management for unions and their ability to understand and their willingness to cooperate). Let us assume that American industry,

or at least that part of it which is big and tends to set wage patterns, finds itself unable by collective bargaining to interrupt the wage-price spiral.

Then what? Well, then it would seem that the time is here for a frank recognition that the strike is a legitimate outcome of collective bargaining. I suspect that monetary, fiscal, and other measures available to the government are not yet sufficiently perfected to curb inflationary forces of major importance. I suspect that management during the last twenty years has gotten into the habit of maintaining production at any cost. I suspect that just as management shrewdly guessed that there was enough fat in the technology to pay the ever-mounting wage bill, so now management is coming instinctively to feel that much, if not most, of the fat has been used up. It may be that the moral fiber of management is weakened; that management does not know how to take a stand after these fabulous twenty years. If such is the case, then the outlook for the American economy is not good.



When I use such a phrase as “take a stand,” I am not suggesting indiscriminate opposition to every union objective or to unions as such. What I am suggesting is that right now, in the years 1957, 1958, and 1959, management must take a good hard look at itself and decide whether, contrary to its established habits of maintaining production at whatever cost, the time has now come to incur the cost, whatever it may be, of halting the upward movement of the wage-price spiral.

The strike is a method of settling big issues, and it need not be accompanied with acrimony. It can be orderly. It is becoming increasingly peaceful. It is a democratic method for keeping the economy in balance because, like the market place itself, the strike reflects the individual judgments of individual people in management and labor reacting to facts and factors which they fully understand.

Probably at no time in the past twenty years have the circumstances been such that a big issue like the wage-price spiral could be worked out by strikes with so little damage to the economy. Always before in the last twenty years there has been war, or preparation for war, or recovery, or a mountainous unsatisfied demand. But now war is not an imminent possibility. There could be a vodka accident, but that is unlikely. We have several years of high production and high consumption behind us, granting, of course, that there will always be some unsatisfied wants.

Considering these facts, it would seem that, unless management is forever to leave wage setting to unions and inflation to the uncertainties of political decision, now is the time for management to think about the total economy and, if necessary, to suffer a serious interruption of production. This may be the price of interrupting the wage-price spiral.

The Squeeze on Production, Prices and Profits

by John Post

Manager, Industrial Relations Department, Continental Oil Company

PRICES, production, and profits are all segments of the same wheel. There are other segments, too, of course. Wage costs are an important one; the supply of credit, taxes and the budget are still others. Obviously the wheel must turn as a whole. If one part of it gets flat or bulges, then the ride gets kind of rocky. And once in a while, the wheel just runs off the road.

As you know all too well, wholesale and consumer prices moved up rather sharply in 1956 after a period of sideways movement and apparent stability. It would be well if we kept in perspective two principal causes of price increases: demand and cost.

For example, on the demand side, in 1956 business investment was over \$36 billion in industrial plant and equipment, and that was on top of an expenditure of \$29 billion in 1955. This was bound to increase the competition for both materials and labor. And high demand certainly made it easier for manufacturers to pass along to their customers the increases in the prices of goods they bought and the increases in wages and fringe benefits they had agreed to.

A review of wage and salary trends confirms the opinion that the level of wages and salaries has gone up faster than output per man-hour. To a large extent—but not entirely—these wage and salary increases can be attributed to collective bargaining agreements.

An abnormally large increase in the labor force in 1956 reflected the extremely high demand for labor. The normal increase is somewhere in the range of 750,000 to 800,000. The actual increase last year was more than twice that and followed an abnormal increase in 1955.

The service industries, which are not as well organized as the manufacturing group, showed a sizable increase in rates of pay. And in manufacturing, the advance in payroll was more pronounced among salaried employees than it was among production employees. In fact, there was no increase in the number of production workers in manufacturing. So, collective bargaining agreements were not the only cause of wage and salary increases. Employers themselves bid up the price for labor in order to maintain the exceedingly high level of business activity.

In 1957, however, the impact on the economy of wage agreements in 1955 and 1956 will be more severe than in previous years. Prices, at least in the wholesale area, have begun to level off, reflecting a balance

of supply and demand. The demand for additions to the labor force will not be as strong as in 1956 and 1955 and will probably be satisfied by normal growth of the labor force.

The rise in unit labor costs in 1956 has yet to be fully reflected in the costs of materials used at later stages of manufacturing and distribution. They will keep pushing up against profit margins. Since wholesale prices seem to have leveled off—at least temporarily—this forebodes a decline in profit margins. Then as these cost pressures relentlessly work their way through the economic structure in 1957, we will run into another round of wage increases caused by long-term contracts and escalator clauses. This will put profits under further pressure. While upward suction on prices and wages through high demand should subside in 1957, the upward push from cost increases will still be with us.

I see no basis for the charge by some labor leaders that profits are responsible for a good deal of the current inflation. Profits have not kept pace with the growth of the economy.

For example, since 1947, gross national product is up over 65%, and income, excluding corporate profits, has gone up about the same amount. These increases have been quite steady and regular. But corporate profits, whether taken before or after taxes, have gone up considerably less since 1947, and the increases have been quite irregular. Corporate profits as a per cent of national income have been running about 9% to 11% in recent years, compared with 17% in 1947. The ratio of corporate profits to stockholders' equity and to sales has actually declined, and was lower in 1956 than in the previous year. More important, the year 1956, in contrast with other years, saw a decline in corporate liquidity and an increase in corporate debt.

The year 1957 may well be a critical year. If wage and salary levels keep going up faster than output per man-hour, while a balance of supply and demand holds prices stable, profits will be caught in a squeeze.

Although American business probably will be able to absorb the 1957 wage-cost punishment, 1958 will present a new and ominous cloud on the horizon, and it may not be too soon to begin considering it.

Labor negotiations in 1958 may well start us on another jag. Wage and fringe settlements such as we

had in 1955 and 1956 would tighten the profits squeeze another notch.

The inevitable effect of a squeeze on profits is a squeeze on production. Business expansion has come to be financed mainly through retained earnings. If retained earnings diminish because of decreased profits, then business expansion will slow down substantially. We not only will have a slowdown in demand for producers' goods, but also for consumer goods and services as a result of smaller payrolls. (Unless, of course, we see a drastic change in our monetary policy or a tremendous increase in government spending.)

Now, we have to move from an analysis of the situation to action. We have to ask ourselves what, if anything, we can do about it. I don't presume to offer an easy, ready-made answer. Certainly, it is not going to be settled just by discussions of economics. Too many social and political factors play important parts. Simply marshaling the figures about the over-all economy will not materially change the way people act in their everyday affairs.



It seems to me there are three parties to this problem: government, labor and business. There have been strong hints that we might have some governmental controls over wages and prices. This would be the worst remedy of all. Experience with government controls during wartime left us with very little confidence that they would be effective or proper during peacetime. All sorts of other problems would be created if the government intervened, not to speak of the red tape and complexities that would confound the confusion. For my part, I would rather take a chance on the present setup than go through another period of government intervention.

We have all read the requests of the President that labor leaders and business leaders exercise restraint. Personally, I have very little faith that this will work.

Union leaders are not likely to exercise restraint of their own accord. And in any event, I do not like to see our economy so ordered that these basic changes can be determined by a few labor leaders. Our experience amply demonstrates that these leaders either cannot, or will not, refrain from getting the best immediate bargain they can get, even if the long-run effect is harmful to their own membership.

Well, this leaves only one group to try to do something about the problem. That's business management. Obviously, it is no easy job, and it may well be an insoluble one for management. In the first place, "business management" does not exist as a single, unified, or coordinated organism. It is a heterogeneous conglomerate of philosophies and interests. No single group in the country can speak authoritatively for business as a whole. Whatever is to be done will have to be done by individual business leaders.

We hear recommendations that management should just say "no" to demands for wage increases and forego price increases. These suggestions sound better in theory than they would work in practice.

None of us is interested in being a dead hero. Strikes are costly, and unions seem all too ready to strike to enforce their demands. Customers today may be a little more considerate than they used to be when a supplier is afflicted with a strike; many of them have had the same experience. But if you are selling to the general public, which wants a product right now, then you know that many of them will take a substitute if they cannot buy your product.

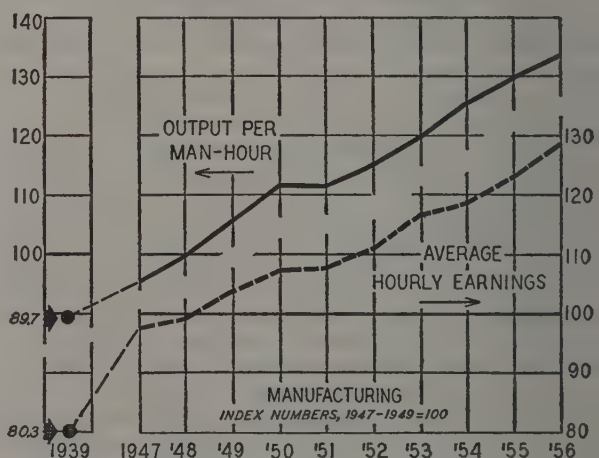
By the same token, if management fails to maintain adequate profits, it imperils the continuity of the business. It hurts the owners, employees, and eventually the general public.

Is there anything, then, that an individual management can do? This is the \$64 million question, and I do not pretend to know the right formula. But may I, hesitantly, offer one suggestion?

One obvious place to start is with our own employees. They don't want inflation. They fear unemployment. One, or maybe both, will be the consequence of the present course. They are customers and investors as well as wage earners. Yet, through their unions, they continue to use their role as wage earners to hurt themselves as investors and consumers. (Or, some would say, they let their union leaders distort their wage-earner position completely out of focus.)

We haven't found any pat answers to convince employees to moderate their expectations. We know that discussions of economics alone do not settle the problem. We need more than presentation of facts. We need *acceptance* by employees of our presentation of the facts as accurate, complete, and meaningful;

Chart 5: Productivity and the purchasing power of real wages tend to rise together.



Source: Bureau of Labor Statistics, cited in "Productivity, Prices, and Incomes," Joint Congressional Economic Committee.

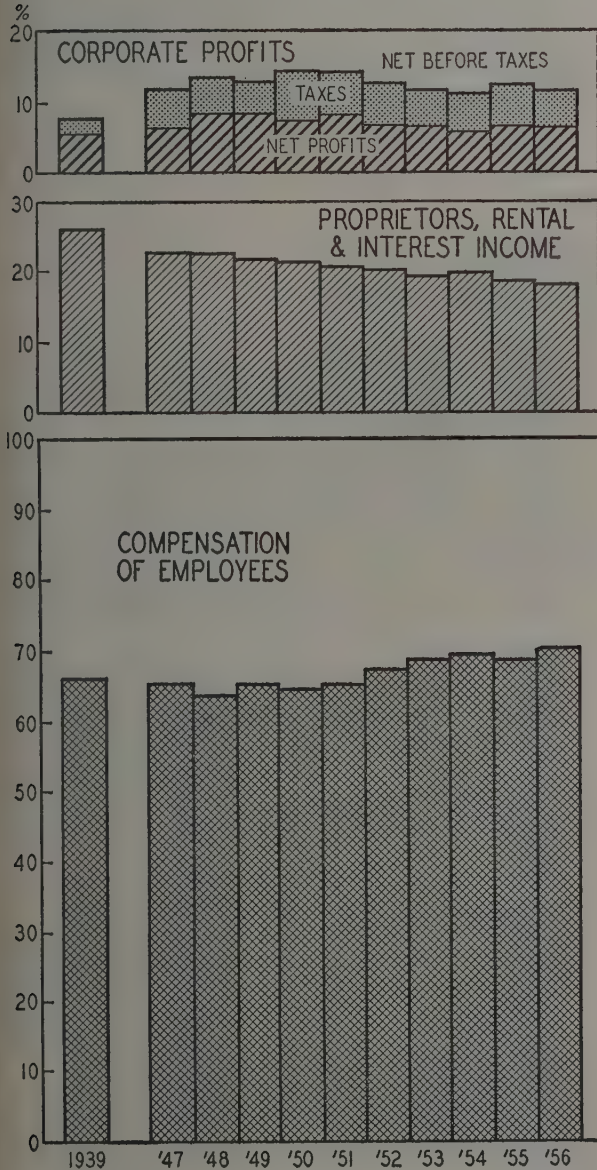
Chart 6: Employee compensation, expressed as a percentage of national income or of income originating in corporate business, has tended to rise slightly in postwar years.

For the national economy as a whole, compensation of employees averaged close to 65% in the early postwar years, and more recently has averaged about 69%. Profits before taxes, as a percentage of national income, averaged between 13% and 14% in the early postwar years and about 12% in more recent years. Proprietors' rental and interest income have declined somewhat over the past decade, partly reflecting the declining impor-

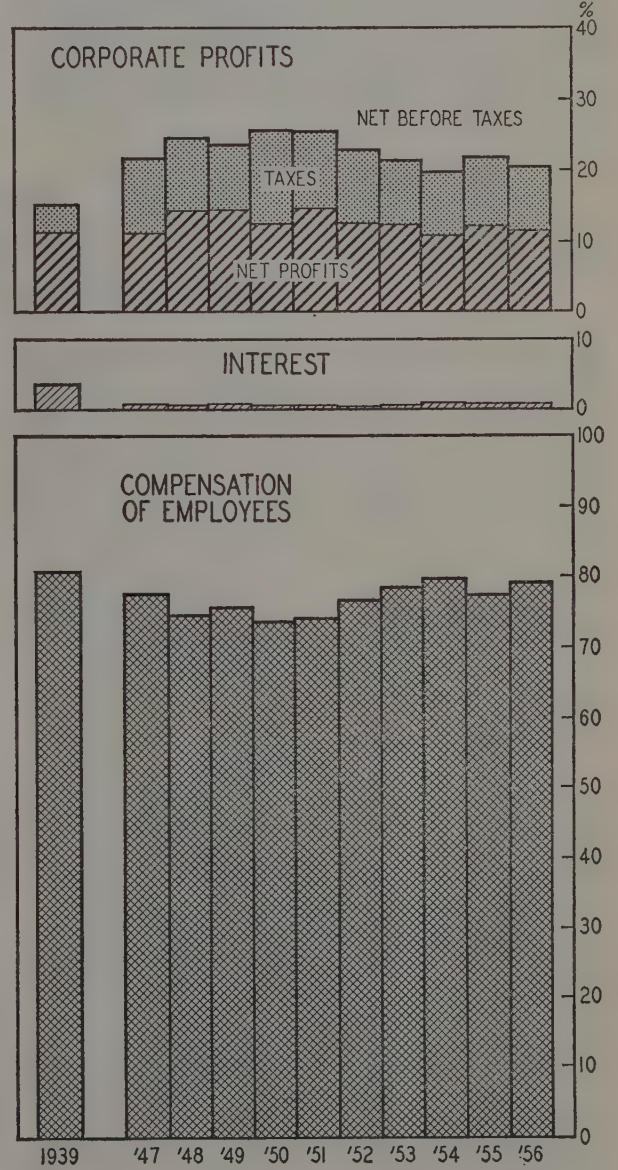
tance of agriculture and the increasing importance of corporate and governmental employment.

For the corporate sector alone, compensation of employees has ranged between 75% and 80% of income originating; profits before taxes have ranged between 20% and 25%. (Interest, the remaining share of income originating in corporate business, has been an insignificant part of the total throughout the last decade.)

NATIONAL INCOME



INCOME ORIGINATING IN CORPORATE BUSINESS



Source: Department of Commerce, cited in "Productivity, Prices and Incomes," Joint Congressional Economic Committee.

and we need agreement on how to interpret the facts.

Before employees will accept our interpretations, they must have confidence in their management, confidence that their management is sincerely interested in their security and in helping them improve their standard of living. My guess is that employees will not temporize their demands unless and until their employers make some kind of long-term commitment that, in effect, their standard of living will increase as fast as output per man-hour increases. This is something we really have not done.

We have taken what they consider a negative position. We aren't going to get their confidence if we insist, for instance, that an increase in the standard of living can only come through declining price levels.

I recognize that gaining understanding and acceptance of what we consider sound economics is more

easily said than done, and it will take a lot of work by every one of us. And even then small groups of employees in strategic jobs will try to improve their positions even more than the rest do. But I do know that the burden, the responsibility, is on us in business to cope with this problem. Indeed, it may be one of those opportunities that knocks only once.

A few years from now, as we look back on this particular period, we may find that 1956 and 1957 were a repeat of an era thirty years ago when business reigned supreme. In the middle 1920's, you may remember, a President of the United States said, "The business of America is business." Business neglected its opportunities in that era. Now, here again is an opportunity for American business to do something constructive and progressive. I hope we will pick up the opportunity and get the job done.

Summary

by Frederick H. Harbison

Director, Industrial Relations Section, Princeton University

THE PRESSURES on wages today are as much, if not more so, the result of market forces as union pressure. If you delve into the nonunion field, you find that the good old laws of supply and demand are fundamentally the things that are driving wages up, and it may not be unions, or even industry-wide bargaining that is the primary force. I believe that unions are able to raise wages as a *consequence* of inflationary pressures in the country; and they themselves are quite limited in the power to bring about inflation.

Many on the panels and many of those in the audience have come out in favor of what might be called "a tough policy of collective bargaining." Perhaps we shouldn't use the term "tough." We might use the term "realistic."

This represents a growing sophistication and maturity of employer thinking in the general area of collective bargaining. We have gotten over this emotional business of whether you are pronunion or antiunion, or whether you should recognize unions, and that kind of thing. We are over the silly notion that somehow or other you blame everything on the union and then place responsibility on the government to regulate unions—which if done, of course, can mean regulation of all aspects of our society and might eventually lead us on the road to socialism.

The panel members have emphasized that realistic collective bargaining in accordance with the employers' self-interest, being prepared to resist demands where necessary, is the order of the day.

This indicates a new perspective on what collective bargaining really is. It seems to me that collective bargaining is bargaining. Unions are going to shake the

employers down for all that they can possibly get. Any union that does not attempt to shake an employer down for all that it can get is not acting responsibly *vis-a-vis* its members.

The employer naturally wants to make as great a profit as possible. A company that is not out to make as great a profit as possible is not, I submit, being responsible to its stockholders. Good management is responsible for purchasing its material on a competitive basis and at the lowest cost. Management ought to also try to undersell its competitors, because we live in a pressure economy.

Therefore, it seems to me that collective bargaining is just another process of doing business. It is a system of trading where each side has its own interests at stake and where the public interest is best taken care of by the mutual accommodation of intelligent bargainers seeking to maximize their own self-interest. I suppose this is only a modern brand of neoclassical economics.

In conclusion, I don't think that American employers are going to give up in the face of union demands, nor do I think that unions are going to grow ever more powerful. My own personal judgment is that union strength in this country has reached its peak, and, in terms of the total number of persons in our working force, union membership over the next years will probably decline percentagewise.

So, perhaps we have reached the days of realistic collective bargaining where employers are going to face these issues rather than attempt to have the government do the job for them. This means we may end up with tougher and more realistic bargaining.

Unions Say "No Wage Inflation"

UNIONS, in general, are paraphrasing Mark Twain's remark about the premature notices concerning his death: they claim that reports that wage increases cause inflation are "grossly exaggerated." But they do not deny that there is inflation.

The *Oregon Labor Press*, for example, notes that "Americans are getting stronger. Twenty years ago it took two people to carry \$10 worth of groceries. Today a child can do it." However they put the blame for inflation on increased profits and administered prices. They reject outright the charge that wage rises have outrun productivity and thus have caused inflation.

In the *American Federationist*, Nathaniel Goldfinger, an AFL-CIO economist, claims that, in fact, productivity during 1957 has been increasing at a "fairly rapid rate" and thus "explodes the gloomy talk about 'lagging' productive efficiency."

He also questions whether wage increases should be "tied rigidly" to productivity. He believes productivity should be only one factor in determining the wages a worker should receive. Another should be the cost of living, since workers "have a right to continuing improvements in living conditions." Other factors to be considered are profits of a business, the desire of a union to bring a company's wages and fringe benefits up to the prevailing level in the industry, and the elimination of substandard conditions.

Mr. Goldfinger concludes that even if productivity figures were more than "rough estimates at best" and if the estimates were ever less than three years old, "trade unions are not about to accept wage controls in peacetime by tying wages and fringe benefits directly and rigidly to a productivity index any more than business is about to accept tight controls over prices and profits."

Profits Cause Inflation

The blame for inflation, most labor leaders agree, should not be placed on wage increases but rather on price increases and a resultant increase in profits. The AFL-CIO executive council, as reported in the *United Paper*, has this to say about the question:

"Those seeking the cause of recent price increases should examine corporate profit margins, especially the margins in price-leading dominant corporations in the key industries, from which most of the recent pressures have arisen. . . . The record of rising corporate profits in widening unit profit margins in the past six months are a clear indication of the root cause of recent price increases."

And, in its *Economic Trends and Outlook*, the AFL-CIO concludes that based on the Bureau of Labor Statistics report, *Productivity, Prices and Income*, wages have not caused inflation but rather "price increases have been pulling up unit labor costs."

Henry Fleisher, director of publications for the AFL-CIO, also argues that "inflation has resulted less from wage increases than from profiteering on wage increases," according to *Labor's Daily*. For example, he points out that when a steelworker receives a 15-cent wage increase, it is translated into steel prices so that it looks as though it had been 30 cents. By the time it gets into an automobile, it looks as though it had been 45 cents. This "pyramiding of costs" Mr. Fleischer finds hard to justify.

In this same newspaper, Mr. George T. Brown, director of the AFL-CIO Department of International Affairs, also rejects the charge of wage inflation. He states "wages are not limited to productivity [increases] which are hard to compute, but to profits, which are easy to compute. When the wage earners learn that their employer has made a large profit, their attitude is, 'we were there, we worked every hour that the plant was open and all we are asking, if you are improving your economic position, we want to improve ours.'"

This type of argument is echoed by the top leaders in the labor movement. David McDonald, head of the Steelworkers, condemns the recent price rise in steel. He charges in *The AFL-CIO News* that it is "a calculated strategy designed to enable the industry to accumulate ever higher profits through continuous steel price increases."

Mr. McDonald charges that the Steelworkers are being used as the "scapegoat" by the steel industry to escape blame for the recent price increases. Since 1945, the Steelworkers' president continues, "there have been twenty-one rounds of steel price increases. There have been nine rounds of wage increases. These price increases have yielded the industry more than \$3 in revenue for each \$1 in wage increases."

Another increase in prices has caused labor to protest. The Oil, Chemical and Atomic Workers Union, in *Labor's Daily*, challenges the oil industry's claim that the recent price increase in oil is justified by a recently won 6% wage increase. "We deny that oil price increases have been justified by labor costs," states the union's vice-president, B. J. Schaefer, in a

letter to President Eisenhower. "Unit labor costs have remained remarkably stable in the oil industry for many years and can by no means be cited as a reason for increasing prices."

Mr. Schaefer further remarks that "during the past decade our wage increases have been significantly smaller than the increases in the productivity of the oil workers."

Later, Mr. Schaefer criticized one oil company for raising prices. Mr. Schaefer comments that while this company's labor bill will go up about \$9 million a year, its price increase will give the company an increase in income of over \$13 million a year. Consequently, he questions whether any increase was justified.

Mr. Schaefer concludes:

"It seems to us that the pricing practices of the industry, not union-won wage increases, are responsible for the ever-increasing cost of living and inflation. . . . Big business organizations have been attacking labor with this charge [of wage inflation] for some time. We are anxious to see if other oil companies will chime in too."

A. J. Hayes, the head of the International Association of Machinists, is also fearful that "the job of negotiating such [wage] increases will be made more difficult by the barrage of current propaganda seeking to place the blame for our current inflation on wage increases." The argument against wage increases on the grounds that they cause inflation is "wholly fallacious," states Mr. Hayes, in *The Machinist*. He gives two reasons for this claim:

"1. Over the past decade, wages have not advanced as rapidly as productivity for manufacturing as a whole. . . .

"2. Recent wage increases in such large industries as steel and automobiles, which are used frequently to prove the inflationary efforts of wage increase, could easily have been absorbed by the industries concerned without any increases in prices. Industries, however, chose to increase prices in order to raise profits. . . ."

Call for Congressional Investigation

So convinced are labor leaders that they are right, that they have been steadily calling for congressional investigations of inflation. The AFL-CIO executive council in February, 1957, called for such an investigation, reports *Economic Trends and Outlook*.

"Because we firmly believe that excessive price increases in certain basic commodities have been unwarranted and because such price increases have produced excessive profit margins in such key industries as auto and steel, we urge that the Congress, through its Joint Economic Committee, conduct an investigation in the price-profit-investment-wage policies of the dominant price-leading corporations in the basic industries."

The council reiterated its call for an investigation in the spring of 1957 according to *The AFL-CIO News*.

David McDonald and Walter Reuther have been leading union officials calling for such investigations. According to *Steel Labor*, Mr. McDonald has asked that an advisory committee be set up to report the facts on wages and prices periodically to President Eisenhower. He says: "We in labor are confident that such regular reports would explode the popular fallacy that price increases are caused by wage boosts."

The Steelworkers' president believes that such a committee might be composed of about ten members representing top labor and management bargainers in the basic steel, automobile, coal, railroad, and wood products industries. For labor's representatives, he suggests himself and the presidents of the UAW, United Mine Workers, Railroad Brotherhoods and the Carpenters. Mr. McDonald does not believe that management representatives should be culled from "various associations such as the NAM, or the Chamber of Commerce but should be the men who bargain directly with labor."

The Role of Administered Prices

Walter Reuther also has been outspoken in his demands for a special congressional investigation of price increases. He charged in *News from the AFL-CIO* that "the present inflation is artificial because it has been artificially rigged by a few corporations who, because of their dominant positions in industry, set the price of their product without any relation to the laws of supply and demand."

He therefore called for an investigation and was pleased when he learned that the antitrust subcommittee of the Senate judiciary committee was going to investigate "administered prices," reports *Labor's Daily*. Mr. Reuther favors making such hearings, or similar hearings permanent under government auspices. He stated that "if industry must justify price increases *publicly* before they are put into effect not just alibied after they are announced, a new element of social, moral and economic responsibility will be introduced that can deter increases that should not be imposed."

He then described a proposal, unanimously adopted at the UAW's sixteenth constitutional convention which, he says, would "spotlight price gouging." Under the UAW suggested plan the following five steps would take place.

"1. Any corporation which accounts for more than a specified percentage—perhaps 20% or 25%—of the total sales of its industry would be required to give advance notice of intent to raise prices to a governmental commission created for this purpose.

"2. That agency would thereupon conduct public hearings in which the corporation would be required to present detailed justification, based upon its records, of the need for the proposed price increase.

"3. The corporation's testimony would be subject to cross examination. Its pertinent records would be open

for inspection both by the commission's staff and by representatives of organizations or groups opposing the proposed price increase, including other corporations which buy goods produced by the firm proposing to raise its prices.

"4. After the hearing, the agency would promptly publish the contentions of the parties and the facts as it has determined them.

"5. The hearings having been concluded, and the notice period having expired, the corporation involved would then be entirely free to raise the price if it chose to do so. *But the public would have the means to determine for itself whether or not the price increase was justified.*" (Italics Mr. Reuther's)

Whatever the end product of this debate over the question of wage inflation, there is one thing about which labor appears to be in general agreement. They agree with *Textile Labor's* answer to the question: "Organized labor the villain of the inflation story? Find another one, boys. That costume just doesn't fit."

ALBERT A. BLUM

Division of Personnel Administration

* * *

Canadian Labor Press Highlights

Court Upholds Bargaining Rights for Technicians

The Ontario Court of Appeals has upheld the Ontario Labour Relations Board's certification of the American Federation of Technical Engineers as the bargaining agent for methods men, rate setters and time and motion study men in three plants of Canadian General Electric. Applauding the decision, the executive secretary of the Ontario Federation of Labour, which raised funds for the AFTE, points out in the *CLC News* that with the coming of automation the question of whether technicians will be union members or management personnel will be very important.

The certification, which was the first in Canada for this classification of employees, was originally granted in October, 1954. But the company carried the case to Ontario's Supreme Court which quashed the certification for all but the time study men. Both parties then went to the Court of Appeals whose judgment, as reported in AFTE's publication *Engineers' Outlook*, states in part that "the board in the instant case acted within the limits of its jurisdiction and its decision is not reviewable by the court." The AFTE believes that if the Supreme Court decision had not been upset, no trade union in Canada would have been secure in labor board rulings, for management could appeal the rulings and get court reversals, using this case as a precedent.

As to the difficulties of organizing and bargaining for technicians, *Engineers' Outlook* says, "Manage-

ment is famous for its ability to sell substandard rates of pay to foremen and other people who they contend are in 'the inner circle.' And believe it or not the inner circle either believe the fallacy that the prestige of their position compensates them for the lack of salary, or are too interested in the function they are required to perform to realize just how misguided they really are. It can be readily understood then just how important and necessary 'the right to bargain' is to these people who are *not* actually performing management functions but are suffering from the collective opinion of their employers that they *are*."

Income Security

When technological change affects a whole craft, the Canadian Labour Congress contends that employers should be guided by the principle that no one who has worked in that craft for more than a year should suffer loss of income. The CLC stressed this point in a brief submitted to the Royal Commission that is investigating the employment of firemen on diesel engines used in the yard and freight services of the Canadian Pacific Railway. The commission was established after last winter's strike against the CPR by the Brotherhood of Locomotive Firemen and Enginemen.¹

As reported in the *CLC News* and other labor papers, the CLC opened its brief by stating that safety should be the determining factor in deciding whether or not firemen are needed on these diesels. But it also called upon the commission to take cognizance of factors beyond safety, such as seniority and security of income, because the commission's recommendations may guide decisions in other industries.

Union Reaction to Election²

The Canadian labor press shared the general surprise at the outcome of the recent federal election which the Conservative party won after twenty-two years as the official opposition. One labor officer in *Le Travail* (Canadian and Catholic Confederation of Labour) comments that: "The theory that the Liberal [party] defeat was a protest vote which got out of hand is true to an extent, but afterwards few were sorry." Another labor writer, whose Cooperative Press Association column was printed by several labor papers, including *The Guardian* (published by Windsor locals), said: "It was not a positive vote for something, it was *against* something, and that something
(Continued on page 308)

¹ For earlier discussion of this issue, see "Canadian Labor Press Highlights," *Management Record*, May 1957, p. 177.

² For pre-election comments of the Canadian labor press, see "Canadian Labor Press Highlights," *Management Record*, July 1957, p. 254.

Significant Labor Statistics

Item	Unit	1957						1956	Year Ago	Percentage Change	
		June	May	Apr.	Mar.	Feb.	Jan.	Dec.		Latest Month over Previous Month	Latest Month over Year Ago
Consumer Price Indexes											
All Items.....	1953 = 100	104.5	104.1	103.9	103.7	103.6	103.4	103.2	101.7	+0.4	+2.9
Food.....	1953 = 100	102.0	101.1	100.6	100.4	100.5	100.2	100.5	99.2	+0.9	+2.9
Housing.....	1953 = 100	105.5	105.4	105.4	105.2	104.8	104.5	103.7	102.7	+0.1	+2.9
Apparel.....	1953 = 100	101.2	101.2	101.1	101.0	100.9	100.8	100.7	99.9	0	+1.1
Transportation.....	1953 = 100	107.5	107.4	107.4	107.3	107.7	107.8	107.9	103.9	+0.1	+3.9
Sundries.....	1953 = 100	106.7	106.5	106.3	106.1	105.8	105.5	105.4	103.9	+0.2	+2.9
Purchasing value of dollar.....	1953 dollars	95.7	96.0	96.2	96.4	96.5	96.7	96.9	98.3	-0.3	-2.9
(BLS) All items.....	1947-1949 = 100	120.2	119.6	119.3	118.9	118.7	118.2	118.0	116.2	+0.5	+3.9
Employment Status¹											
Civilian labor force.....	thousands	69,842	67,893	66,951	66,746	66,311	65,821	67,029	69,430	+2.9	+0.8
Employed.....	thousands	66,504	65,178	64,261	63,865	63,190	62,578	64,550	66,503	+2.0	+2.9
Agriculture.....	thousands	7,534	6,659	5,755	5,434	5,195	4,935	5,110	7,876	+13.1	-4.9
Nonagricultural industries.....	thousands	58,970	58,519	58,506	58,431	57,996	57,643	59,440	58,627	+0.8	+0.8
Unemployed.....	thousands	3,337	2,715	2,690	2,882	3,121	3,244	2,479	2,927	+22.9	+14.9
Wage Earners^{2,3}											
Employees in nonagr'l establishm'ts....	thousands	p 52,727 r 52,420	r 52,245	51,894	51,704	51,238	53,131	52,135	+0.6	+1.1	
Manufacturing.....	thousands	p 16,826 r 16,748	r 16,822	16,933	16,945	16,937	17,133	16,825	+0.5	+1.1	
Mining.....	thousands	p 851 r 836	833	831	833	804	811	833	+1.8	+2.9	
Construction.....	thousands	p 3,210 r 3,080	r 2,906	2,756	2,673	2,719	3,029	3,237	+4.2	-0.8	
Transportation and public utilities....	thousands	p 4,170 r 4,157	r 4,153	4,147	4,120	4,112	4,180	4,191	+0.3	-0.8	
Trade.....	thousands	p 11,448 r 11,401	r 11,428	11,265	11,225	11,139	12,092	11,236	+0.4	+1.1	
Finance.....	thousands	p 2,357 r 2,331	r 2,320	2,310	2,301	2,294	2,308	2,328	+1.1	+1.1	
Service.....	thousands	p 6,547 r 6,511	r 6,432	6,317	6,273	5,918	5,976	6,320	+0.6	+3.9	
Government.....	thousands	p 7,318 r 7,356	r 7,351	7,335	7,334	7,315	7,602	7,165	-0.5	+2.9	
Production and related workers in mfg. employment											
All manufacturing.....	thousands	p 12,935 r 12,886	r 12,960	13,085	13,114	13,117	13,312	13,108	+0.4	-1.1	
Durable.....	thousands	p 7,575 r 7,587	r 7,635	7,693	7,721	7,703	7,791	7,636	-0.2	-0.8	
Nondurable.....	thousands	p 5,360 r 5,299	r 5,325	5,392	5,393	5,414	5,521	5,472	+1.2	-2.9	
Average weekly hours											
All manufacturing.....	number	p 39.9 r 39.7	39.8	40.1	40.2	40.1	41.0	40.2	+0.5	-0.8	
Durable.....	number	p 40.5 r 40.2	40.5	40.7	40.9	40.8	41.9	40.8	+0.7	-0.8	
Nondurable.....	number	p 39.1 r 38.9	38.8	39.2	39.3	39.1	39.8	39.2	+0.5	-0.8	
Average hourly earnings											
All manufacturing.....	dollars	p 2.07 r 2.06	2.06	2.05	2.05	2.05	2.05	1.97	+0.5	+5.9	
Durable.....	dollars	p 2.19 r 2.18	2.18	2.18	2.17	2.17	2.18	2.09	+0.5	+4.9	
Nondurable.....	dollars	p 1.89 r 1.88	1.87	1.87	1.86	1.86	1.86	1.81	+0.5	+4.9	
Average weekly earnings											
All manufacturing.....	dollars	p 82.59 r 81.78	81.99	82.21	82.41	82.21	84.05	79.19	+1.0	+4.9	
Durable.....	dollars	p 83.70 r 82.64	83.29	83.73	83.75	83.54	81.34	85.27	+1.2	+4.9	
Nondurable.....	dollars	p 73.90 r 73.13	72.56	73.30	73.10	72.73	74.03	70.95	+1.1	+4.9	
Straight time hourly earnings (estimated)											
All manufacturing.....	dollars	p 2.02 r 2.01	2.01	1.99	1.99	1.99	1.98	1.91	+0.5	+5.9	
Durable.....	dollars	p 2.12 r 2.12	2.11	2.11	2.10	2.10	2.09	2.02	0	+5.9	
Nondurable.....	dollars	p 1.85 r 1.84	1.83	1.83	1.82	1.82	1.81	1.77	+0.5	+4.9	
Turnover Rates in Manufacturing²											
Separations.....	per 100 employees	p 2.9 r 3.4	r 3.3	3.3	3.0	3.3	2.8	3.4	-12.1	-14.9	
Quits.....	per 100 employees	p 1.3 r 1.4	1.3	1.3	1.2	1.3	1.0	1.6	-7.1	-18.9	
Discharges.....	per 100 employees	p 0.2 r 0.3	0.2	0.2	0.2	0.2	0.2	0.3	-33.3	-33.9	
Layoffs.....	per 100 employees	p 1.1 r 1.5	1.5	1.5	1.4	1.5	1.4	1.8	-21.4	-15.9	
Accessions.....	per 100 employees	p 3.8 r 3.0	2.8	2.8	2.8	3.2	2.2	4.2	+26.7	-9.9	

¹ Bureau of the Census. Beginning with January, 1957, employment status figures reflect slightly modified definitions of employment and unemployment.

² Bureau of Labor Statistics.

³ The BLS has adjusted its nonfarm employment and hours and earnings series to first

quarter 1955 benchmark levels. The benchmark level is the total count of workers covered in each industry, and in this instance the data were received from government social insurance programs. The adjustment affects all figures since February, 1955.

p Preliminary.

r Revised.

A Less than .05% change.

Retail Prices Seasonally High

Food prices provided most of the upward force in the June consumer price index, but over the first six months of 1957 housing registered the largest increase

THE RETAIL price level, as measured by The Conference Board's consumer price index, registered its largest increase for 1957 in June. The all-items index for the United States rose to 104.5 (1953=100), which was 0.4% above the previous month's level and 2.8% above a year ago. With the June advance the first half of 1957 ended on a high note. It left a record of continuous price increases totaling 1.3% over the six months.

The consumer dollar lost 0.3 cent of its purchasing power in June, 1957, as it fell to 95.7 cents (1953 dollar=100 cents). This was 2.6 cents below its June, 1956, value and 1.2 cents below its purchasing power at the beginning of 1957.

Food prices, which were rising toward their seasonal peaks, provided most of the upward force in June. Over the month, the food index rose 0.9%, while sundries registered a lesser increase of 0.2%, and housing and transportation a slight 0.1% each. Apparel prices remained at their May, 1957, level.

The record for the first half of 1957 differs somewhat from that chalked up in June. The steady climb of the housing index resulted in a total advance of 1.7% for the six-month period. The food index, despite its seasonal jumps of the last two months, could not quite match this: it was up 1.5%. Sundries accumulated a 1.2% increase, and apparel cost 0.5% more. Transportation, because of seasonally lower new-car prices, was off 0.4% over the first half of 1957.

The seasonal upswing of food prices, which started in May, continued with even greater strength in June. The 0.9% increase in the cost of food was the largest this index registered during the last twelve months. It was primarily due to continued advances totaling 2.4%, in the fruits and vegetable group, and a record jump of 1.9% in the meat, fish and poultry index.

All meat groups shared in this advance, with pork registering the largest increase, 3.5%. Beef followed with a 1.7% price hike, while other meats were up 1.3%. Even poultry rose somewhat from its bargain levels, as a 1.5% price increase was recorded in June. Fish, on the other hand, was off slightly over the month.

The rise in the fruits and vegetable index was almost entirely the result of price hikes for fresh fruits,

FOOD THE CULPRIT?

The 0.4% advance of the price level in June was to a great extent due to the seasonal upswing in food prices. The effect of this seasonal movement alone accounted for a 0.3 index point or 75% of the total change over the month. Since May, when the seasonal movement of food prices started, the retail price level has moved up 0.6 index point, and food was responsible for 0.4 point, or 67%, of this change.

For the first half of 1957 the score reads as follows: total change 1.3 index points; change effected by food 0.4 index point, or 31% of the total change. However, when the record for the entire year is examined, food and nonfood are equally responsible for the 2.8% change in the retail price level between June, 1956, and June, 1957.

which amounted to 6.9% over the month. Fresh vegetables registered a relatively mild increase of 1.0%, as potatoes were up 1.1%. But frozen produce continued to exhibit the weak price behavior of the past few months. The cereal and bakery products group continued its upward trend with a 0.4% rise, as bread prices registered another increase.

The effect of all these increases was lessened somewhat by declines in the dairy products and eggs and the "other food" groups. Egg prices, which have been declining throughout 1957, dropped 1.9% in June, while fresh milk was 0.8% cheaper. These decreases, combined with a slight 0.2% decline for manufactured dairy products, resulted in a 0.7% drop of the dairy products and eggs index.

The "other food" group was down a slight 0.2%, as a 0.6% decline in coffee prices, augmented by a 0.5% decrease for fats and oils, more than balanced slight advances for sugar and tea.

Other Components Relatively Steady

Compared with the spectacular changes in the food index, all other commodity groups showed a relatively steady price behavior. Fractional increases in all parts of the housing index—with the exception of fuel, power and water—accounted for the slight advance of housing costs. The fuel group was down 0.2%, as both gas rates and solid fuel prices were lower over the month.

Consumer Price Index—United States

Cities over 50,000 population

1953 = 100

	ALL ITEMS	FOOD						HOUSING				
		Total	Meat, Fish, Poultry	Cereal, Bakery Products	Dairy Products, Eggs	Fruits, Vege- tables	Other Food at Home	Total	Rent	Fuel, Power, Water		
										Total	Gas	Elec- tricity
1955 December.....	101.0	97.9	89.9	104.4	98.3	99.7	105.9	102.1	106.8	103.2	105.3	101.8
1955 Annual Average...	100.3	98.3	93.8	104.4	94.5	99.8	106.2	101.5	106.1	102.7	105.2	101.4
1956 January.....	101.1	97.5	88.4	104.9	98.5	99.7	105.7	102.2	106.8	105.0 _r	108.9 _r	101.9
February.....	101.1	97.3	88.0	104.9	96.9	101.5	105.3	102.4	107.1	105.6 _r	108.9 _r	101.9
March.....	101.1	97.0	87.4	104.9	96.0	101.7	105.8	102.6	107.2	105.7 _r	108.9 _r	102.0
April.....	101.0	97.0	87.2	104.9	94.7	102.4	106.4	102.6	107.5	105.7 _r	109.1 _r	102.0
May.....	101.2	97.7	88.5	105.0	94.4	105.6	106.7	102.6	107.6	105.3 _r	109.1 _r	102.0
June.....	101.7	99.2	89.9	105.3	94.3	112.1	107.4	102.7	107.7	105.3 _r	108.9 _r	102.0
July.....	102.1	100.1	90.9	105.5	95.1	114.2	108.0	102.8	107.9	103.9	106.0	102.0
August.....	102.3	100.4	92.5	105.7	96.5	100.8	108.5	103.0	108.0	104.0	106.1	102.0
September.....	102.4	100.3	93.6	105.8	97.4	105.8	109.1	103.3	108.1	104.3	106.5	102.0
October.....	102.7	100.8	95.1	106.4	99.0	102.7	109.7	103.4	108.4	104.7	106.5	102.4
November.....	103.2	100.5	93.5	106.6	99.7	102.1	110.1	103.6	108.5	105.3	106.8	102.4
December.....	103.2	100.5	92.6	106.8	99.1	103.3	110.4	103.7	108.6	105.5	106.5	102.4
1956 Annual Average...	101.9	99.0	90.7	105.6	96.8	105.2	107.8	102.9	107.3	105.0 _r	107.7 _r	102.1
1957 January.....	103.4	100.2	91.7	107.1	97.8	104.1	110.8	104.5	108.7	107.8	109.5	102.2
February.....	103.6	100.5	92.4	107.7	97.2	104.8	111.1	104.8	108.9	108.6	109.5	102.2
March.....	103.7	100.4	92.5	108.1	96.4	104.2	111.1	105.2	108.9	108.7	109.6	102.2
April.....	103.9	100.6	93.1	108.6	95.6	105.2	111.0	105.4	109.4	108.8	109.4	102.2
May.....	104.1	101.1	93.9	108.9	94.7	108.7	110.2	104.4	109.5	108.5	109.5	102.3
June.....	104.5	102.0	95.7	109.3	94.0	111.3	110.0	105.5	109.6	108.3	109.4	102.4

	HOUSING (continued)		APPAREL			TRANSPOR- TATION	SUNDRIES	PUR- CHASING VALUE OF DOLLAR	REBASED INDEXES		
	Furnish- ings, Equipment	Other Household Operations	Total	Men's Apparel	Women's Apparel				All Items (January 1959 = 100)	Purchasing Value of January, 1959 Dollar	All Items (1947-49 = 100)
1955 December	99.2	101.7	99.3	99.7	98.3	104.7	102.9	99.0	183.4	54.5	114.9
1955 Annual Average . . .	98.4	100.9	99.0	99.4	98.4	101.1	102.0	99.7	182.2	54.9	114.2
1956 January	99.3	102.0	99.3	99.8	98.0	105.8	103.1	98.9	183.6	54.5	115.0
February	99.5	102.1	99.3	99.9	98.1	105.3	103.4	98.9	183.6	54.5	115.0
March	99.4	102.3	99.4	99.9	98.2	105.1	103.7	98.9	183.6	54.5	115.0
April	99.3	102.2	99.6	100.1	98.3	104.4	103.7	99.0	183.5	54.5	115.0
May	99.1	102.4	99.7	100.3	98.2	104.1	103.8	98.8	183.9	54.4	115.2
June	99.1	102.4	99.9	100.5	98.3	103.9	103.9	98.3	184.7	54.1	115.8
July	99.0	102.8	100.0	100.7	98.2	104.0	104.2	97.9	185.4	53.9	116.2
August	98.9	103.0	100.2	101.1	98.3	103.9	104.5	97.8	185.8	53.8	116.4
September	99.3	103.6	100.3	101.6	98.2	104.1	104.7	97.6	186.0	53.8	116.6
October	99.3	103.6	100.5	101.7	98.3	104.1	105.0	97.4	186.5	53.6	116.9
November	99.5	103.7	100.7	102.0	98.3	107.7	105.2	96.9	187.3	53.4	117.4
December	99.8	103.8	100.7	102.1	98.2	107.9	105.4	96.9	187.5	53.3	117.5
1956 Annual Average . . .	99.3	102.8	100.0	100.8	98.2	105.0	104.2	98.1	185.1	54.0	116.0
1957 January	99.8	104.5	100.8	102.3	98.2	107.8	105.5	96.7	187.8	53.3	117.7
February	100.0	104.8	100.9	102.3	98.4	107.7	105.8	96.5	188.2	53.1	117.9
March	100.4	105.2	101.0	102.4	98.5	107.3	106.1	96.4	188.4	53.1	118.1
April	100.5	105.3	101.1	102.5	98.5	107.4	106.3	96.2	188.7	53.0	118.3
May	100.4	105.5	101.2	102.6	98.5	107.4	106.5	96.0	189.1	52.9	118.5
June	100.5	105.6	101.2	102.6	98.5	107.5	106.7	95.7	189.7	52.7	118.9

Consumer Price Index—United States

Annual Averages 1914-1956*

1953 = 100

Year	All Items	Purchasing Value of Dollar	Year	All Items	Purchasing Value of Dollar	Year	All Items	Purchasing Value of Dollar	Year	All Items	Purchasing Value of Dollar
1914.....	40.8	248.1	1925.....	67.8	147.5	1936.....	54.8	182.5	1947.....	84.7	118.1
1915.....	40.0	250.0	1926.....	68.3	146.4	1937.....	57.2	174.8	1948.....	90.1	111.0
1916.....	43.0	232.6	1927.....	66.9	149.5	1938.....	55.7	179.5	1949.....	88.8	112.6
1917.....	51.3	194.9	1928.....	65.9	151.7	1939.....	55.0	181.8	1950.....	90.0	111.1
1918.....	59.5	168.1	1929.....	65.6	152.4	1940.....	55.4	180.5	1951.....	97.0	103.1
1919.....	67.6	147.9	1930.....	63.4	157.7	1941.....	58.3	171.5	1952.....	99.5	100.5
1920.....	77.8	128.5	1931.....	57.0	175.4	1942.....	64.5	155.0	1953.....	100.0	100.0
1921.....	66.8	149.7	1932.....	50.9	196.5	1943.....	68.2	146.6	1954.....	100.2	99.8
1922.....	63.6	157.2	1933.....	49.0	204.1	1944.....	69.1	144.7	1955.....	100.3	99.7
1923.....	65.4	152.9	1934.....	51.8	193.1	1945.....	70.2	142.5	1956.....	101.9	98.1
1924.....	66.1	151.3	1935.....	53.6	186.6	1946.....	74.9	133.5			

* Indexes from 1914 through 1919 are for the month of July only and are not annual averages.

_r Revised.

Consumer Price Indexes for Individual Cities

NOTE: These indexes show changes in consumer prices only. They do not show intercity differences in price level or standard of living.

Cities Surveyed Monthly

	1953 = 100			Percentage Changes			1953 = 100			Percentage Changes	
	June 1957	May 1957	June 1956	May 1957 to June 1957	June 1956 to June 1957		June 1957	May 1957	June 1956	May 1957 to June 1957	June 1956 to June 1957
Chicago						Los Angeles					
All Items.....	106.5	106.3	104.6	+0.2	+1.8	All Items.....	104.7	104.4	100.7	+0.3	+4.0
Food.....	103.4	102.9	102.2	+0.5	+1.2	Food.....	102.4	101.4	98.4	+1.0	+4.1
Housing.....	110.2	109.9	107.8	+0.3	+2.2	Housing.....	104.6	104.6	102.3	0	+2.2
Apparel.....	101.1	101.2	100.4	-0.1	+0.7	Apparel.....	102.0	101.7	99.2	+0.3	+2.8
Transportation.....	107.7	107.4	103.3	+0.3	+4.3	Transportation.....	108.5	108.6	102.9	-0.1	+5.4
Sundries.....	108.2	108.1	106.6	+0.1	+1.5	Sundries.....	106.7	106.5	102.5	+0.2	+4.1
Houston						New York					
All Items.....	104.8	104.4	101.5	+0.4	+3.3	All Items.....	104.9	104.2	102.2	+0.7	+2.6
Food.....	102.8	101.8	99.2	+1.0	+3.6	Food.....	103.6	101.7	100.0	+1.9	+3.6
Housing.....	105.5	105.5	102.8	0	+2.6	Housing.....	103.3	105.2	103.2	+0.1	+2.0
Apparel.....	102.7	102.2	100.3	+0.5	+2.4	Apparel.....	99.5	99.2	98.9	+0.3	+0.6
Transportation.....	107.5	107.5	103.1	0	+4.3	Transportation.....	116.2	116.2	112.5	0	+3.3
Sundries.....	105.8	105.6	102.3	+0.2	+3.4	Sundries.....	105.2	105.0	102.3	+0.2	+2.8

Cities Surveyed Quarterly

	1953 = 100			Percentage Changes			1953 = 100			Percentage Changes	
	June 1957	Mar. 1957	June 1956	Mar. 1957 to June 1957	June 1956 to June 1957		June 1957	Mar. 1957	June 1956	Mar. 1957 to June 1957	June 1956 to June 1957
Atlanta						Indianapolis					
All Items.....	103.0	102.8	101.1	+0.2	+1.9	All Items.....	104.4	103.5	101.3	+0.9	+3.1
Food.....	99.0	97.6	97.1	+1.4	+2.0	Food.....	100.4	98.5	99.3	+1.9	+1.1
Housing.....	104.3	104.5	102.5	-0.2	+1.8	Housing.....	105.3	105.1	101.9	+0.2	+3.3
Apparel.....	100.3	100.1	99.6	+0.2	+0.7	Apparel.....	100.9	101.4	99.5	-0.5	+1.4
Transportation.....	108.0	109.3	104.4	-1.2	+3.4	Transportation.....	109.4	107.6	101.7	+1.7	+7.6
Sundries.....	105.9	105.5	103.8	+0.4	+2.0	Sundries.....	107.5	106.7	104.5	+0.7	+2.9
Cleveland						Kansas City					
All Items.....	105.6	104.7	103.2	+0.9	+2.3	All Items.....	104.6	103.5	101.0	+1.1	+3.6
Food.....	102.7	99.7	100.9	+3.0	+1.8	Food.....	102.1	98.8	98.4	+3.3	+3.8
Housing.....	105.9	105.6	103.2	+0.3	+2.6	Housing.....	104.5	104.2	102.5	+0.3	+2.0
Apparel.....	102.7	102.5	100.7	+0.2	+2.0	Apparel.....	98.6	98.6	97.0	0	+1.6
Transportation.....	109.0	108.9	104.0	+0.1	+4.8	Transportation.....	106.1	106.0	96.0	+0.1	+10.5
Sundries.....	109.1	109.0	107.6	+0.1	+1.4	Sundries.....	110.9	110.6	108.4	+0.3	+2.3
Denver						Lansing					
All Items.....	104.1	103.7	102.3	+0.4	+1.8	All Items.....	105.4	104.1	103.0	+1.2	+2.3
Food.....	102.3	101.0	102.6	+1.3	-0.3	Food.....	104.9	101.3	103.5	+3.6	+1.4
Housing.....	104.4	104.2	102.5	+0.2	+1.9	Housing.....	105.3	105.6	102.6	-0.3	+2.6
Apparel.....	100.9	100.4	99.2	+0.5	+1.7	Apparel.....	101.4	101.2	101.1	+0.2	+0.3
Transportation.....	107.5	107.6	101.4	-0.1	+6.0	Transportation.....	109.8	107.6	104.3	+2.0	+5.3
Sundries.....	105.7	105.6	104.1	+0.1	+1.5	Sundries.....	105.3	104.9	103.1	+0.4	+2.1
Des Moines						Milwaukee					
All Items.....	104.9	104.1	102.8	+0.8	+2.0	All Items.....	103.4	102.2	101.4	+1.2	+2.0
Food.....	102.6	101.7	102.5	+0.9	+0.1	Food.....	99.5	96.4	98.6	+3.2	+0.9
Housing.....	103.8	103.5	101.0	+0.3	+2.8	Housing.....	103.6	103.8	101.3	-0.2	+2.3
Apparel.....	101.7	101.5	99.6	+0.2	+2.1	Apparel.....	99.0	99.0	98.3	0	+0.7
Transportation.....	110.4	109.7	106.6	+0.6	+3.6	Transportation.....	109.6	109.0	106.4	+0.6	+3.0
Sundries.....	108.0	106.3	105.5	+1.6	+2.4	Sundries.....	106.9	104.8	103.9	+2.0	+2.9
Evansville						Pittsburgh					
All Items.....	101.4	100.4	99.8	+1.0	+1.6	All Items.....	104.6	103.6	102.6	+1.0	+1.9
Food.....	96.0	93.7	94.8	+2.5	+1.3	Food.....	103.1	99.9	101.6	+3.2	+1.5
Housing.....	102.8	102.5	100.1	+0.3	+2.7	Housing.....	106.0	105.8	103.8	+0.2	+2.1
Apparel.....	100.9	101.1	101.3	-0.2	-0.4	Apparel.....	103.8	104.2	101.5	-0.4	+2.3
Transportation.....	107.1	107.2	106.5	-0.1	+0.6	Transportation.....	104.7	105.6	101.9	-0.9	+2.7
Sundries.....	103.7	102.4	101.6	+1.3	+2.1	Sundries.....	105.4	104.6	103.3	+0.8	+2.0
Huntington-Ashland						Portland, Ore.					
All Items.....	105.1	104.2	103.1	+0.9	+1.9	All Items.....	104.4	103.2	101.2	+1.2	+3.2
Food.....	103.1	100.4	101.1	+2.7	+2.0	Food.....	101.6	99.6	98.9	+2.0	+2.7
Housing.....	105.8	105.4	104.0	+0.4	+1.7	Housing.....	105.1	104.8	101.6	+0.3	+3.4
Apparel.....	102.9	102.9	102.8	0	+0.1	Apparel.....	101.5	100.4	100.5	+1.1	+1.0
Transportation.....	108.3	109.0	104.0	-0.6	+4.1	Transportation.....	105.4	103.0	100.4	+2.3	+5.0
Sundries.....	107.3	106.9	104.7	+0.4	+2.5	Sundries.....	108.3	107.4	104.7	+0.8	+3.4

The equally slight increase in the transportation index was the result of continued increases in public transportation charges, which have accumulated a 1.4% advance during the first six months of 1957. The automobile transportation index remained unchanged over the month despite higher used car prices.

The sundries index, registering the largest increase among the nonfood groups, rose a relatively minor 0.2%. This was the result of higher charges for personal and medical care items, augmented by a fractional advance in the cost of recreation.

Apparel costs remained at their May, 1957, level, as both men's and women's clothing prices were unchanged over the month. The 0.4% advance in costs for shoe repairing and dry cleaning was too small to have any noticeable effect on the over-all apparel index.

Changes Over the Year

Compared with a year ago, prices were substantially higher for all commodity groups. Transportation costs registered the largest increase: they were up 3.5%. To a great extent, this rise was the result of a 3.6% hike in automobile transportation costs. A 3.0% increase in public transportation charges provided an auxiliary upward force.

While food, with a 2.8% increase, placed only second in the array of annual advances, its upward trend may have been more noticeable since it contrasted with a previous prolonged price weakness. A 6.5% increase for meat, fish and poultry was primarily responsible for the higher food index. Cereal and bakery products and the "other food" group registered lesser advances of 3.8% and 2.4% respectively.

A 0.3% decline in the dairy products and eggs group (owing entirely to a 13.0% drop in egg prices) and a 0.7% decrease in the fruits and vegetable index could only serve to take the edge off some of the increases.

Housing and sundries costs, both up 2.7%, tied for third place. The rise in the housing index was the result of widespread advances in all its component parts, ranging from 6.6% for solid fuels to 0.4% for electricity rates. The rise in the sundries index was shared more equally by all its components; medical care was up 3.5%, personal care 2.8%, alcoholic beverages and tobacco 1.9%, and recreation was up 1.8%.

The apparel index, up 1.3%, registered the smallest increase over the year. Men's clothing, which has exhibited a strong price behavior for some time now, cost 2.1% more, while clothing materials and services were up 2.9%. Women's clothing prices, on the other hand, up an almost imperceptible 0.2%, were remarkably stable over the year.

HELEN B. JUNZ

Division of Consumer Economics

Structural Wage Strains

(Continued from page 279)

American industry and is causing a fundamental shift in the structure of our industrial society.

In light of the foregoing, what role will trade-unions play in the wage developments of the coming decade? Broadly speaking, it seems safe to assume that the unions will accelerate the tendencies generated by a condition of long-term labor scarcity, serving to push up the general wage level higher than would otherwise have been the case. But as far as the general level of wages is concerned, unions will not be the prime movers. Other forces associated with the market demand for labor services, generated by rising consumer, industry, and government expenditures, will be the dominant factors.

The main impact of the unions will be felt in the area of interfirm and interindustry wage relationships. While the statistical data I have cited preclude any sweeping generalizations, the fact remains that unions have been able to go far enough toward narrowing or eliminating important wage differentials to cause serious repercussions in American industry. Employers can no longer count on wage differences as a way of adjusting to adverse economic developments.

This process of wage standardization is spreading to other elements of the employer-employee relationship as unions begin to level-up fringe benefits and other conditions of employment. The result is that all of these nonwage areas of maneuverability are also being closed to employers. Some of the fringe benefits, like private pension programs, were introduced voluntarily by individual companies long before they were taken up by unions. But such programs have been extended to many other firms today as a result of collectively bargained settlements.

This process of standardization becomes all the more apparent when it is realized that many of the fringe benefits that are being standardized constitute costs which do not vary directly, if at all, with changes in production. The spread of private pension plans, health and welfare programs, and supplementary unemployment compensation schemes are examples of what I have in mind. The upshot is that labor costs are becoming fixed costs and the distinction between hourly workers and salaried workers is fading away.

As employers lose maneuverability in the setting of wages and other employment conditions, it becomes doubly important to emphasize flexibility and bold experimentation in the areas of technological change, product innovation and long-range research. Almost any wage demand becomes unbearable if a firm loses its freedom of action, and its will to action, in these three vital areas of modern management.

Significant Pay Settlements in the United States

Ice Cream Manufacturers Shorten Workweek

About thirty-five ice cream manufacturers in Greater New York and Northern New Jersey have negotiated a five-year contract with the Teamsters that includes a program for eliminating "personalized" rates and hours on certain jobs, provision for a shorter workweek with maintained pay, and deferred increases.

The contract provides an across-the-board increase of 20 cents an hour as of May 1. Further increases of 7.5 cents are to be paid in May, 1958, and 1959, with wage reopenings in the fourth and fifth years of the contract.

In addition to the two deferred increases of 7.5 cents per hour, rates will actually go up further as a result of maintaining weekly earnings while gradually cutting the workweek from forty to thirty-five hours.

This will be accomplished in two steps: On May 1, 1958, the forty-hour week will be reduced to thirty-seven and one-half hours; and on May 1, 1959, the thirty-seven and one-half-hour week will be reduced to thirty-five hours. Over the first three years of the contract, therefore, hourly rates will increase about 70 cents per hour rather than the 35 cents provided in the settlement. Commissioned route drivers will remain on the forty-hour week during the five-year contract.

About 25% of the employees covered by this multi-employer agreement now are being paid at rates which are higher than the current contract rates for their jobs. The thirty-five companies plan to eliminate these over-contract rates by limiting the size of the general wage increase given to these employees. For example, they will definitely receive only 10 cents of the initial 20-cent-an-hour increase; all or part of the other 10 cents will be withheld to the extent necessary to eliminate their over-contract difference. Similarly, only 4 cents of the 7.5-cent increases due in 1957 and in 1958 are guaranteed; the other 3.5 cents will be withheld, where necessary, to eliminate over-contract differences.

Railroad Wage Pattern Completed

The contract signed last month by the nation's major railroads and the Brotherhood of Locomotive Engineers, ind., virtually completes negotiations started last September in the railroad industry. Al-

though there are minor variations, the contracts negotiated for about 1 million railroad employees by seventeen unions generally provide wage increases of about 26.5 cents an hour over the three-year contracts.

The first-year increase generally is 12.5 cents per hour, retroactive to November, 1956; the second increase, effective in November, 1957, is 7 cents an hour, followed by another 7 cents an hour in November, 1958.

Also negotiated was a semiannual, cost of living adjustment, retroactive to May 1, 1957. This adjustment is 1 cent per hour for each half point change in the BLS consumer price index, using September, 1956, as the base index.

The three latest agreements negotiated by the railroads are shown on the following table. The contract with the Order of Railway Conductors and Brakemen provides hourly increases identical to the industry patterns described above. Although the hourly equivalent is the same as the industry pattern, the Railroad Yardmasters of America contract provides a \$25 per month increase effective November, 1956, and another \$14 per month payable in November, 1957, and again in November, 1958.

Similarly, the percentage increases negotiated by the Brotherhood of Locomotive Engineers compare closely with the hourly amounts obtained by other unions. The November, 1956, increase is 6%, followed by 1957 and 1958 increases of 3.5%.

New Overtime Formula for Engineers

An increase in base salaries and a new overtime formula have been negotiated by Boeing Airplane Company and the Wichita Engineering Association, ind. Base salaries of exempt and nonexempt employees are increased from 4% to 6%, resulting in an average weekly increment of \$6.81.

The new overtime formula pays time and one-half to exempt employees on base salaries up to and including \$135.80 per week. But for salaries above this, overtime is paid at the straight time plus, \$1.70 per hour. The previous formula paid time and one-half on base salaries of \$130.40 per week or lower; and for salaries above this, overtime was paid as straight time plus \$1.63 per hour.

(Text continued on page 306)

Significant Pay Settlements in the United States

Verified by The Conference Board

Company, Union ¹ and Duration of Contract	Pay Adjustments	Fringe Adjustments
Chemicals		
1. Cramet, Inc. with Oil, Chemical and Atomic Workers at Chat- ta-nooga, Tenn. 660 hourly Effective 5-10-57. Wage reopening Contract expires 3-26-58	9¢ per hour general increase (5.2% average). Additional 1.8¢ per hour inequity adjust- ment	Cost of fringes: .5¢ per hour Revised: Protective clothing furnished certain job classifications and certain a- of plant
2. Hercules Powder Co. with Woodworkers at Hattiesburg, Miss. 650 hourly Effective 5-1-57. Wage reopening Contract expires 5-1-58	9¢ per hour general increase (6% average), plus 2.2¢ per hour inequity adjustment	No change
3. Linde Co. with Oil, Chemical and Atomic Workers at Tona- wanda, N. Y. 1,000 hourly Effective 5-6-57. Wage reopening Contract expires 1-23-58	11.57¢ per hour general increase Deferred increase: 4¢ per hour general 9-9-57	Cost of fringes: 1.5¢ per hour Revised: Basic medical plan and pension p One holiday added (Friday after Thar giving)
4. Mallinckrodt Chemical Works with Firemen and Oilers at St. Louis, Mo. 1,145 hourly Effective 1-1-57 (signed 5-20-57). Contract expired New contract: 1 year	10¢ per hour general increase (4.3% average)	Cost of fringes: 1.7¢ per hour Revised: One holiday added (Veterans' D
5. Parke-Davis & Co. with Oil, Chemical and Atomic Workers at Detroit, Mich. 1,800 hourly Effective 5-1-57. Contract expired New contract: 2 years	4% general increase Classification adjustments for some em- ployees Deferred increase: 8¢ per hour 5-1-58	Cost of fringes: 2¢ per hour Added: Cost-of-living adjustment Revised: 3 weeks' vacation after 10 year weeks after 20 years (was 3 after 15 ye Half holiday added (Good Friday)
Electrical Machinery		
6. Western Electric Co. with IBEW at Indianapolis, Ind. 6,000 hourly Effective 5-15-57. Contract expired New contract: 3 years. Next reopening 5-15-58	7.4¢ per hour (4.4% average)	Revised: When observed holidays fall Saturday, the Saturday, the preced workday or the first following workday be the designated holiday
7. Western Electric Co. with Communication Workers at Buffalo, N. Y. 1,500 hourly Effective 5-14-57. Contract expired New contract: 3 years. Next reopening 5-14-58	8.3¢ per hour general increase (4.9% average)	No change
Food and Allied Products		
8. Thirty-five major companies in the ice cream industry with Teamsters in Greater New York and Northern New Jersey. 2,500 hourly Effective 5-1-57 (signed 6-14-57). Contract expired New contract: 5 years. Reopenings on wages in 4th year and on pensions and welfare in 2nd and 4th years	20¢ per hour general increase (9% average) Commissions to route drivers increased .125¢ per gallon Deferred increase: 7.5¢ per hour May, 1958 and 1959. Per-gallon commissions to route drivers increased .125¢ per hour in 1958 and 1959 Normal workweek reduced to 37.5 hours in 1958 and to 35 hours in 1959 with mainte- nance of pay Average wage rates increased approximately 70¢ per hour or 33⅓% over contract period	Revised: Basic medical plan
Machinery (except Electrical)		
9. Iron Firemen Mfg. Co. with UAW at Cleveland, Ohio. 325 hourly Effective 6-3-57. Contract expired New contract: 2 years	8¢ per hour general increase (3.57% average)	Cost of fringes: 2.5¢ per hour Revised: 1 additional holiday (half d December 24 and 31) Vesting rights in pension plan changed 10 years' service after age 40

Significant Pay Settlements in the United States—Continued

Company, Union ¹ and Duration of Contract	Pay Adjustments	Fringe Adjustments
3. Miehle Printing Press & Mfg. Co. with IUE, and Operating Engineers at Chicago, Ill. 900 hourly Effective 5-1-57. Contract expired New contract: 2 years. Next reopening 4-3-58	9¢ per hour general increase (4% average)	Cost of fringes: 5¢ per hour Added: Supplements to workmen's compensation Time off with pay for death in family Revised: Basic medical plan; life insurance; and pension plan—minimum monthly pension \$2 per year of service for employees with 20 years' service or more
Paper and Allied Products		
1. Great Northern Paper Co. with IAM; IBEW; Papermakers; Pulp, Sulphite and Paper Mill Workers; Firemen and Oilers; Carpenters and Joiners; Plumbers and Steamfitters at Millinockett and East Millinocket, Me. 2,400 hourly Effective 5-1-57. Contract expired New contract: 1 year	5% general increase	Added: Life insurance plan
2. Pacific Coast Ass'n. of Pulp & Paper Manufacturers with United Papermakers; and Pulp, Sulphite, and Paper Mill Workers on Pacific Coast. 20,000 hourly (50 salaried) Effective 6-1-57. Wage reopening Contract expires 5-31-60	8.7¢ per hour general increase (3.5% average)	Cost of fringes: 1.1¢ per hour Revised: 3 weeks' vacation after 10 years effective 6-1-58
Other Manufacturing Industries		
3. Baldwin Piano Co. with Steelworkers at Cincinnati, Ohio. 1,500 hourly Effective 6-3-57. Wage reopening Contract expires 5-25-58	5.5¢ per hour general increase (2.7% average)	No change
4. Philip Carey Manufacturing with United Papermakers at Lockland, Ohio. 1,250 hourly Effective 5-3-57. Contract expired New contract: 1 year	9¢ per hour general increase (4.5% average)	Cost of fringes: 1¢ per hour Revised: Basic medical plan and insured disability pay Service requirement for holiday benefits now 1 month (was 3 months)
5. Fansteel Corp. with IAM, IBEW, Chemical Workers, Plumbers, Painters, and Carpenters at North Chicago and Waukegan, Ill. 1,574 hourly Effective 6-1-57. Contract expired New contract: 2 years	5% general increase (10.5¢ per hour average) Deferred increase: 3% general 6-1-58	Cost of fringes: 7¢ per hour Added: Cost-of-living adjustment; life insurance and disability pay; pension plan Normal pension \$2.25 per week per year of service. Disability at age 50 and 10 years' service. Vesting rights at age 50 and 15 years' service Revised: Vacations—progression toward 3 weeks after 5 years' service at rate of 1/2 day per year 7 paid holidays
6. Fulton County Glove Manufacturers Inc. with Clothing Workers and Glove Workers at Gloversville, N. Y. 3,500 hourly and piece workers Effective 5-13-57. Contract expired New contract: 2 years	5¢ per hour general increase	No change
7. Lockheed Aircraft Corp. with IAM at Marietta, Ga. 16,000 hourly Effective 4-1-57 (signed 5-17-57). Contract expired New contract: 1 year	7¢ per hour general increase (3% average)	Cost of fringes: 5¢ per hour Added: Supplements to workmen's compensation Revised: Normal pension benefit changed to \$1.75 per month for each year of service, plus 1.5% of earnings over \$350 per month. Minimum pension changed to \$2 per month per year. Vesting provision changed to 100% after 15 years (deferred). 10 years' service for eligibility; 30 years' maximum service credit

Significant Pay Settlements in the United States—Continued

Company, Union ¹ and Duration of Contract	Pay Adjustments	Fringe Adjustments
18. Albert Trostel & Sons Co. with Amalgamated Meat Cutters at Milwaukee, Wis. 725 hourly Effective 5-13-57. Contract expired New contract: 3 years	8¢ per hour general increase (8.9% average) Deferred increase: 7¢ per hour 5-13-58, 5¢ per hour 5-13-59	Cost of fringes: 2¢ per hour Revised: Insured disability pay 2 half-day holidays added 1¢ per hour increase in shift premiums
Transportation		
19. Eastern and Western Carriers' Conference Committees (representing major railroads) with Railroad Yardmasters (ind.) Interstate. 5,000 monthly and daily Effective 8-1-56 (signed 5-3-57). National mediation agreement New contract: 3 years	\$14 per month leveling increase for employees not on 5-day week. Additional \$25 per month 11-1-56 Deferred increase: \$14 per month increase, November 1957 and 1958	Revised: Cost-of-living adjustment two each year beginning 5-1-57. 1¢ per hour for each .5 point change in BLS Consumer Price Index with base at 117.1
20. Eastern, Western and Southeastern Carriers' Conference Committees (representing major railroads) with Railway Conductors and Brakemen (ind.) Interstate. 20,000 hourly and mileage Effective 11-1-56 (signed 6-12-57). National mediation agreement New contract: 3 years	12.5¢ per hour general increase (\$1 per basic day) Deferred increase: 7¢ per hour (56¢ per basic day) November, 1957 and 1958	Same as above
21. Same as 20 above with Brotherhood of Locomotive Engineers (ind.) Interstate. 45,000 daily and mileage Effective 11-1-56 (signed 7-18-57). National mediation agreement New contract: 3 years	6% general increase Deferred increase: 3.5% general increase 11-1-57 and 11-1-58	Same as above
Public Utilities		
22. The Cleveland Electric Illuminating Co. with Utility Workers at Cleveland, Ohio. 2,600 hourly Effective 4-1-57 (signed 5-8-57). Wage reopening. Next reopening 3-31-58	11.6¢ per hour or \$4.64 per week general increase (5% average)	No change
23. Milwaukee Gas Light Co. with Oil, Chemical and Atomic Workers at Milwaukee, Wis. 800 hourly Effective 6-1-57. Wage reopening Contract expires 6-1-58	14.7¢ per hour general increase (6.5% average)	No change
24. Public Service Company of Indiana with IBEW in statewide Indiana. 1,400 hourly Effective 5-1-57. Contract expired New contract: 2 years	6% general increase Deferred increase: 6% general 5-1-58	Cost of fringes: 1.68¢ per hour Revised: Basic medical plan; insured disability pay; pension plan One additional holiday per year (Good Friday) Minimum pension increased to \$150 per month including Social Security (was \$110 per month)
25. Public Service Electric & Gas (electric department) with IBEW in statewide New Jersey. 4,956 hourly Effective 5-2-57. Wage reopening Contract expires 5-1-58	5.179% general increase (12.3¢ per hour average)	No change
26. San Diego Gas & Electric Co. with IBEW at San Diego, Cal. 1,500 hourly Effective 3-1-57 (signed 6-18-57). Contract expired New contract: 1 year	12.3¢ per hour general increase, plus .2¢ inequity adjustment (5.6% average)	Cost of fringes: .5¢ per hour Revised: Basic medical plan and health insurance for retired 4 weeks' vacation after 25 years
Communications		
27. Illinois Bell Telephone Co. with IBEW in statewide Illinois and neighboring Indiana counties. 399 hourly (11,789 salaried) Effective 5-1-57. Contract expired New contract: 2 years. Wage reopening 4-30-58	\$4.34 per week general increase (10.8¢ per hour or 4.87%)	Cost of fringes: 37¢ per week Revised: Company paid sick leave Lincoln's Birthday added to holidays

Significant Pay Settlements in the United States—Continued

Company, Union ¹ and Duration of Contract	Pay Adjustments	Fringe Adjustments
3. New York Telephone Company with Telephone Organizations (ind.) at downstate New York. ² 20,500 hourly Effective 4-10-57 (signed 5-13-57). Contract expired New contract: 15 months	\$2 to \$5 per week general increase (average 4.38%) Additional \$2 per week in Putnam and Orange counties	Added: Life insurance for regular and retired employees
Construction 4. Associated General Contractors with Bricklayers, Carpenters, Cement Masons, Iron Workers, Laborers, Operating Engineers, and Teamsters at Minneapolis and St. Paul, Minn. 14,500 hourly Effective May, 1957. Contract expired New contract: 3 years	15¢ per hour general increase (ranging from 4.4% to 6.6%) Deferred increase: 15¢ per hour, 5-1-58 and 5-1-59	No change
5. Assn. of Plumbing Contractors with Plumbers and Steamfitters at Evansville, Ind. 500 hourly Effective 5-1-57. Contract expired New contract: 2 years	5¢ per hour general increase, 10-1-57 Deferred increase: 12.5¢ per hour, 5-1-58	No change
6. Master Builders of Des Moines, Iowa with Hod Carriers and Laborers at Des Moines, Iowa. 850 hourly Effective 5-13-57. Contract expired New contract: 1 year	12.5¢ per hour general increase (5.5% average)	No change

SALARIED EMPLOYEE SETTLEMENTS

7. Boeing Airplane Co. with Wichita Engineering Assn. (ind.) at Wichita, Kan. 1,128 salaried (exempt and nonexempt) Effective 5-11-57. Contract expired New contract: 1 year	4.88% average increase (\$6.81 per week average)	Revised: Overtime formula for exempt employees. Time and a half on base salaries up to and including \$135.80 per week (was up to and including \$130.40 per week). Straight time plus \$1.70 per hour on salaries above \$135.80 per week (was \$1.63 per hour on salaries above \$130.40)
8. Illinois Bell Telephone Co. with IBEW in statewide Illinois and neighboring Indiana counties. 11,789 salaried in bargaining unit described in 27 above	Same as for hourly described in 27 above	Same as for hourly described in 27 above
9. Illinois Bell Telephone Co. with Commercial Employees Union (ind.) in state of Illinois and neighboring Indiana counties. 1,597 salaried Effective 5-12-57. Contract expired New contract: 16 months	8.9¢ per hour or \$3.53 per week general increase (5.08% average)	Cost of fringes: .008¢ per hour or 84¢ per week Revised: Company-paid sick leave One additional holiday (Lincoln's Birthday)
10. Pacific Coast Assn. of Pulp & Paper Manufacturers with United Papermakers; and Pulp, Sulphite, and Paper Mill Workers on Pacific Coast. 50 salaried in bargaining unit described in 12 above	Same as for hourly described in 12 above	Same as for hourly described in 12 above
11. Public Service Electric & Gas (electric department) with Utility Co-Workers' Assn. (ind.) and Office Employees in statewide New Jersey. 473 salaried Effective 5-2-57. Wage reopening Contract expires 5-1-58	5.179% general increase (12.3¢ per hour average)	No change
Same as separately negotiated settlement with IBEW. See Settlement 25 above.		
12. Standard Oil of Indiana with Teamsters at Milwaukee, Wis. 61 salaried Effective 5-1-57. Wage reopening Contract expires 4-30-59. Next reopening 3-2-58	5% general increase	Revised: One holiday added (total 8). 4 weeks' vacation after 20 years
13. Washington Gas Light Co. with Office Employees at Washington, D. C. 550 salaried Effective 6-1-57. Contract expired New contract: 1 year	5.5% general increase	No change

¹ All unions are affiliated with the AFL-CIO unless otherwise indicated.
² For upstate settlement, see *Management Record*, June, 1957, page 231.

(Text continued from page 301)

Contractors Give Three-Installment Increase

Widespread negotiations in the construction industry in recent months have resulted in agreements that will run as long as five years, with first-year increases of 20 cents an hour or more as well as deferred increases. Typical of these recent settlements

are the ones between Associated General Contractors and several building trades unions that represent approximately 15,000 workers in Minneapolis and St. Paul. These contracts run for three years and provide immediate hourly increases of 15 cents, roughly from 4.5% to 6.5%. Deferred increases of 15 cents an hour become effective in May, 1958, and May, 1959.

Significant Pay Settlements in Canada

Forest Industry Settlement

Four hours before a strike deadline, and only after intervention by Premier W. A. C. Bennett, a settlement was reached between companies operating British Columbia's coastal forest industry and the International Woodworkers of America, District 1. The new one-year contract provides a 7½% general wage increase and, among other benefits, substantially increased vacations.

The companies, and the union—which represents 30,000 workers in logging camps, sawmills, shingle and plywood mills—had been negotiating since early spring. Faced with seriously declining markets, the employers at first took the position that no wage increase could be granted. But the union demanded a 20% increase in wages. It contended its members were losing their relative position in wage rates; they had received 5-cent wage increases for each of the last two years while many recent settlements made in British Columbia provided increases of 15 cents per hour or more.

The dispute was presented to a conciliation board which found no solution but recommended that the existing agreement be extended to September 30, 1957, when hearings could be resumed and a conclusion reached in the light of market and other conditions at that time. The board suggested that any increases then negotiated be retroactive for a reasonable period. The union rejected the majority recommendation and, with strong support from its membership, prepared for a strike.

When Mr. Bennett actively entered the negotiations the parties were still far apart on the major wage issue, with the employers offering a 5% increase and the union demanding 12½%. They finally agreed to a minimum increase of 13 cents per hour or 7½%, whichever is greater, and revisions in the rates of specified classifications. The minimum wage under the old contract was \$1.59 per hour.

Changes in the vacation plan stem, at least in part, from British Columbia's new Annual Holidays Act that became effective on July 1. The Act requires two weeks' vacation with pay after one year of employment. The revised vacation plan negotiated conforms to this but further provides for a third week with pay after five years of service. Vacation pay for the additional week will be at the rate of 2½% of total wages earned during the working year. This reduction in the service requirement for a three-week vacation to only five years contrasts with the general pattern in Canadian industry, where fifteen years is the most commonly observed service requirement for a three-week vacation.

Other significant changes include two ten-minute rest periods per shift for employees working in manufacturing plants; a minimum of four hours' call-in pay for employees on the early shift in logging operations; and provision that all employees who were hired on or after June 15, 1954, be required to join the union and maintain their membership as a condition of employment. Under the previous contract, these employees were required to pay dues but they did not have to join the union.

Differential for Skilled Trades

Trans-Canada Air Lines and the International Association of Machinists have signed a one-year contract covering the airline's 3,400 maintenance, station service and stores personnel throughout Canada. The settlement gives these employees an 8% increase across the board. And skilled tradesmen will receive an additional 2½% to maintain pay differentials. In addition to the wage adjustment, second- and third-shift premiums were increased from 5 cents and 10 cents per hour, respectively, to 7 cents and 12 cents per hour; and the company has agreed to pay half the cost of an improved health insurance plan up to a maximum of \$6 per month. This plan is expected to become effective January 1, 1958.

Significant Pay Settlements in Canada

Verified by The Conference Board

Company, Union ¹ and Duration of Contract	Pay Adjustments	Fringe Adjustments
Manufacturing		
Anglo-Newfoundland Development Ltd. with IAM at Grand Falls, Newfoundland. 150 hourly Effective 6-1-57. Wage reopening Contract expires 6-1-58	5% general increase	No change
Building Products Ltd. with Building Products Workers at Ville La Salle, Que. 290 hourly Effective 4-1-57 (signed 7-12-57). Contract expired New contract: 2 years	6¢ per hour general increase Deferred increase: Workweek reduced to 40 hours as of 3-21-58 with maintenance of pay	Added: 1 day compassionate leave Revised: 4 weeks' vacation after 25 years
Canadian Johns-Manville Ltd. with Steelworkers at Matheson, Ont. 284 hourly Effective 6-1-57. Contract expired New contract: 2 years	5% general increase plus 3¢ per hour Deferred increase: 5% general increase plus 3¢ per hour, 6-1-58	No change
Forest Industrial Relations Ltd. with Woodworkers at B. C. (coastal area). 30,000 hourly Effective 6-15-57. Contract expired New contract: 1 year	13¢ per hour general increase, or 7.5%, whichever is higher	Revised: Vacations with pay as provided by 1956 Annual Holidays Act. Additional week after 5 years Two 10-minute rest periods per day
International Harvester of Canada Ltd. with Steelworkers at Hamilton, Ont. 1,685 hourly Effective 4-22-57 (signed 6-7-57). Contract expired New contract: 2 years	14¢ per hour to men and 19¢ per hour to women over contract period	Revised: Premium for 3rd shift increased to 9¢ from 8¢ Premium for Sunday work increased to 15¢ per hour for continuous shift operators Vacations increased to 2 weeks and 2 days for employees with from 10 to 15 years' service (was 2 weeks)
North American Cyanamid Ltd. with UE (ind.) at Niagara Falls, Ont. 525 hourly Effective 7-4-57. Contract expired New contract: 2 years	9¢ per hour general increase. Additional 4¢ per hour to skilled trades Deferred increase: 7¢ per hour general increase; 3¢ per hour additional to skilled trades, 7-4-58 Scheduled hours reduced from 42 to 40 for part of work force, effective 7-4-58	Revised: Two-and-a-half times pay for holiday work Shift premiums increased to 8¢ and 10¢ per hour (were 6¢ and 9¢) Vacation payment plan changed to 2% basis for each week of vacation Additional 15¢ for each hour worked on Sunday at standard rates, effective 7-4-58
St. Lawrence Corporation with Office Employees at Dolbeau and Woodlands, Man. 52 salaried Effective 5-1-57. First contract Duration: 1 year	5% general increase, plus some minor adjustments	No change
Slingsby Mfg. Co. with Textile Workers and Operating Engineers at Brantford, Ont. 338 hourly Effective 2-15-57 (signed 5-14-57). Contract expired New contract: 2 years	None	Revised: Vacations now 3 weeks after 15 years' service Company contribution to pension plan becomes 1.5¢ per hour 8-1-57 and 3¢ per hour in second year
Non-manufacturing		
Campbell Chibougamau Mines Ltd. with Steelworkers at Chibougamau, Abitibi-East, Que. 375 hourly Effective 5-27-57. Contract expired New contract: 2 years	6% general increase retroactive to 9-23-56 Workweek reduced to 44 hours, 1-27-57, with maintenance of pay (was 48 hours) Deferred increase: 3% general increase 1-26-58	Revised: One additional holiday
Cape Breton Contractors' Ass'n. with Carpenters and Joiners at Sydney, Cape Breton area, N. S. 500 hourly Effective 6-1-57. Contract expired New contract: 2 years	10¢ per hour general increase Deferred increase: 10¢ per hour 6-1-58	No information
Marine Industries Ltd. with Seafarers at Montreal, Que. 500 hourly Effective 4-15-57 (signed 6-6-57). Contract expired New contract: 1 year	20% general increase	No change
Trans-Canada Air Lines with IAM, nationwide. 3,400 hourly Effective 5-1-57 (signed 7-4-57). Contract expired New contract: 1 year	8% general increase. Additional 2.5% to skilled trades	Revised: Improved health insurance plan (50% company paid) up to a maximum of \$6. per month effective 1-1-58 Shift premium increased to 7¢ and 12¢ per hour (was 5¢ and 10¢ per hour)

¹ Unions are affiliated with the CLC unless otherwise indicated.

Canadian Labor Press

(Continued from page 295)

was the dictatorial rule of a party too long and smug in power."

Concerning the part played by the trade union movement in the election, the same writer believes, "It can't be said that there is any such thing as a block labor vote in Canada yet. The average working-man votes like the average Canadian." The *Mine-Mill Herald* says, "the great trade union movement has fared badly in that they failed to elect working men and women to parliament."

Sell Bonds as Strike Investment

Strike bonds in denominations of \$5 to \$100 are now being sold by the Canadian and Catholic Confederation of Labour to support members involved in a pro-

tracted strike at the Arvida plant of the Aluminum Company of Canada, reports *Le Travail*. The bonds carry no interest and are immediately refundable in case of death or strikes. According to *Le Travail*, the first goal for the strike fund, which is also supported by voluntary collections and the sale of strike buttons is \$500,000. Of this, \$152,000 was subscribed during the first two weeks of the drive.

Coal Casualty—One Union Paper

June saw the last issue of the *Canadian Mineworker* published since 1941 by District 18 of the United Mine Workers of America, ind. Speaking editorially, the *Canadian Mineworker* sees itself as one of the casualties of the decline of the coal industry in Alberta and British Columbia. It hopes that scientists will not fail to find an economic use for Canada's coal reserves although it believes the immediate future for coal is dark.

SHIRLEY MANNING
Canadian Office

Studies in Business Policy

- No. 81—Company Insurance Administration
- No. 80—Public Relations in Industry
- No. 79—Measuring Salesmen's Performance
- No. 78—Industrial Engineering, Organization and Practices
- No. 77—Forecasting in Industry
- No. 76—Automobile Plans for Salesmen
- No. 75—Researching Foreign Markets
- No. 74—Atomic Energy Primer for Management
- No. 73—Company-Sponsored Foundations
- No. 72—Marketing, Business and Commercial Research in Industry
- No. 71—Keys to Efficient Selling and Lower Marketing Costs
- No. 70—Industrial Security:—III. Theft Control Procedures
- No. 69—New Product Development:—III. Marketing New Products
- No. 68—Company Tax Administration
- No. 67—Executive Expense Accounts
- No. 66—Financial Management of Pension Trusts
- No. 65—Managing Company Airplanes
- No. 64—Industrial Security:—II. Plant Guard Handbook
- No. 63—The Corporate Directorship
- No. 62—Controlling Capital Expenditures
- No. 61—Techniques of Plant Location
- No. 60—Industrial Security:—I. Combating Subversion and Sabotage
- No. 59—Trends in Industrial Location
- No. 58—Budgeting Expenses in Small Companies
- No. 57—New Product Development:—II. Research and Engineering
- No. 56—The Duties of Financial Executives
- No. 55—Protecting Personnel in Wartime
- No. 54—Getting Defense Contracts
- No. 53—Damage Control in Wartime
- No. 52—Measuring Dealer and Consumer Inventories
- No. 51—Protecting Records in Wartime
- No. 50—Military Inspection in Industry

In the January Business Record

Business Executives in Semiannual Survey Predict Continued Improvement in Business in 1957. An Industry-by-Industry Report

Quarterly Review of Canadian Business

Earnings vs. Consumer Price Changes

Downtrend in Farm Equipment Buying

Interflow of Goods in Canadian Manufacturing

Selected Business Indicators

Diffusion Index Rises

Rise in State Taxes on Business

Business as a Customer. Business Highlights at Year End

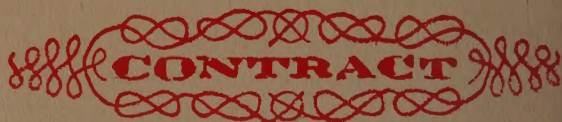
Capsule on Concentration (with Selected References)

Published by THE CONFERENCE BOARD
460 Park Avenue, New York 22, N. Y.

Trade the escalator for a holiday

Sounds silly? Not at the bargaining table. A company might find it advantageous to grant an extra holiday in exchange for dropping the escalator or cost of living clause in the old contract. "Horse trading" of this kind is almost the *sine qua non* of collective bargaining. And without this flexibility, negotiations can quickly bog down in a deadlock—with a strike looming that neither side really wants. Yet it is obviously important to know *what* to trade for *what*, and *where* to stand firm and *where* to give way. Such flexibility is usually the result of broad knowledge of the field and the union or unions with which one is bargaining.

THE CONFERENCE BOARD's new report, "Analysis of Electrical Union Contracts in Manufacturing — 1956" provides important background information on the three major electrical unions. The main provisions of 117



contracts are presented in tabular form, so they may readily be compared. Also, one may see at a glance how a particular contract (for instance, the General Electric — IUE) deals with a particular item. Thirty-two of the contracts analyzed are with the United Electrical Workers, ind; fifty-one are with the International Union of Electrical Workers, AFL-CIO; and thirty-four are with the International Brotherhood of Electrical Workers, also AFL-CIO.

This report is available to Associates only on request. If you would like a copy, write the Board and ask for: